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INDONESIA TODAY

By
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(Djakarta)

The significance of Indonesia is based above all on two facts: its location and its resources. Lying astride the equator, its numerous islands form a bridge between Asia and Australia. Of equal importance are the raw materials produced so abundantly in the area and its vast industrial potential. These two simple facts provide the basic pattern on which rests the past and the future development of this territory and its material importance to British manufacturers.

The time which must elapse before Indonesia can establish normal conditions is likely to be much longer than originally envisaged and it is obvious that the prevailing situation does not encourage hope for any great expansion of trade in the near future. Indonesia's first economic need is peace and order. If this could be achieved it might be possible to foresee the approach of economic stability through a checking of inflation and its attendant evils, followed by an expansion of industry and export trade, in which lies the means of her economic salvation. In the continued absence of any signs of coming stability, one is compelled to be less optimistic for the immediate future. Nevertheless, a country so rich in resources and a people so deeply rooted in the soil cannot but surmount their difficulties in time. The gradual lessening and probably final exclusion of Dutch influence in Indonesia will tend to divert trade and industry into new channels. The country is at the inception of a period of transition and it would be unwise to attempt to forecast what course this trend will take.

POLITICAL SITUATION

Form of Government

Politically, Indonesia previously formed a part of the Kingdom of the Netherlands, with the supreme au-

thority vested in the Crown. Until the fall of 1948, the administrative and executive authority in Indonesia rested in the hands of a Governor General, assisted before the war by an advisory body, the Council of the Indies. Java and Madura were divided into three provinces and two principalities (Surakarta and Djogjakarta) which in turn were made up of nineteen residencies. The other islands were divided into three Governments (Sumatra, Borneo and East Indonesia), made up of seventeen residencies.

After the Japanese surrender in 1945, port areas of the Netherlands Indies were occupied by the British Army which, in July 1946, transferred authority over Borneo and East Indonesia (Celebes, Moluccas and Lesser Sunda Islands) to the Netherlands authorities, then already in control of New Guinea. In the meantime an independence movement had developed in Java and Sumatra which resulted in the Netherlands Government's recognition of the Government of the Republic of Indonesia as exercising the de facto authority over Java, Madura and Sumatra under the Linggadjati Agreement of November 15, 1946. With the breakdown of further negotiations undertaken for the implementation of this Agreement, a Dutch military action was started on July 20, 1947, which ended on August 4, 1947, at the request of the U.N. Security Council. This action resulted in returning Madura and important parts of Java and Sumatra to Netherlands control.

Subsequently, after the signing of the Renville truce Agreement on January 18, 1948, negotiations were resumed between the Dutch and the Republicans under the auspices of the United Nations, looking toward the settlement of the political differences. A further breakdown occurred during

the latter part of the year which was followed by the Dutch extending their control over the Republic's territory on Java and additional areas on Sumatra.

In the meantime, on March 9, 1948, an interim Federal Government was installed for all of Indonesia except those parts of Java and Sumatra under Republican control. This interim Government was made up of a council of the heads of the Departments functioning under the guidance of a High Commissioner for Indonesia. The political structure of those areas under Netherlands control consisted of the States of East Indonesia, West Borneo, East Borneo and East Sumatra and a Provisional Council in the remaining areas which were to be formed into the United States of Indonesia.

Transfer of Sovereignty to Indonesia
On August 23, 1949, representatives of the Netherlands Government and delegates from Indonesia met at the Round Table Conference at The Hague and definite agreement was reached on the complete transfer of sovereignty of the islands, which was to be concluded and which did, in fact, take place on 27th December last. It was also agreed to settle all the complex problems that would attend transfer of power and responsibility. Only one major problem was left unsolved: the Indonesians want the Dutch portion of New Guinea to be a member of their new Republic. The Dutch refuse to part with it and it was agreed to defer a decision on New Guinea, although by this postponement they run a risk which may have evil consequences.

Aside from a carefully worded postponement of the New Guinea question, the agreements which emerged from the Conference show a clear pattern of procedure.

In Indonesian sugar fields and refineries, rubber, quinine and coconut plantations, oil fields and installations, land and sea transport, and in many other activities, lie 25% or more of Dutch capital investment. The Dutch naturally want protection

for all this and in their minds protection necessarily involves far-reaching measures such as Dutch control over the Indonesian banking and currency systems, Dutch control over Indonesian trade practices and, in fact, over everything that might effect their investment. The Indonesians repudiate these suggestions, and indeed they could hardly be expected to do otherwise, since the controls for which the Dutch would call would make the phrase "Indonesian Sovereignty" a mocking shadow. In the outcome, the agreement recognises in principle, the right of the Dutch to a large measure of protection. It pledges the Indonesians to see that such protection is given to the Dutch, but it is the Indonesians who will do the protecting and not Dutch. They control their own currency, although they are pledged to consult with the Dutch in matters involving both countries. Their currency is not to be that of the Netherlands, although, here again, they are pledged to consult. They have granted the Dutch 'most favoured nation' treatment economically, and they recognise the pre-eminence of Dutch interests in Indonesia and the wisdom of heeding the consequence of that pre-eminence.

But where the Indonesians have committed themselves to pledges, the Dutch have committed themselves to direct activity: they will withdraw physically from Indonesia. Their troops are en route home already and once out of Indonesia, as they well know, they can never hope to return—to attempt to do so would involve them in war not only with the Indonesians, but perhaps with all southeast Asia headed by India. The Indonesians are alone responsible for the implementation of their pledges, and it is a heavy responsibility that they have assumed. They inherit a country devastated by revolution and they must put it in working order. They have committed themselves to the arduous task of administering a country in which only the smallest fraction of the people have administrative experience, and yet without a sound administration their pledges to the Dutch are meaningless.

They must keep their country intact and at peace, and this may prove the most difficult task of all. There is a native Communist movement in Indonesia of which the size and force are unknown. There is danger of Communist pressure from the large and influential group of Chinese, who are responsive—as are all Chinese in the Pacific—to political currents in the homeland. There are finally the dangers of armed dissent within the nationalist movement itself, almost inevitable in a country where the tradition of the peaceful transfer of power does not exist, and where the loyal opposition is always tempted to speed by gunfire its accession to control. And, not least of all, they must

demonstrate goodwill. A pledge to consult, or even consultation itself is meaningless unless the spirit exists to direct the consultation towards a fair and constructive agreement. There is little reason at present to distrust the Indonesian Government, on the basis of its showing to date there is every reason to trust it. But the attitude of a Government, and the Government itself, are subject to change and only time can reveal the direction that events are likely to take.

It is in this connection that the New Guinea problem carries the seeds of serious trouble. Each party can offer excellent reasons for wishing to have control of the large undeveloped colony. The Indonesians are impelled, as they have been impelled in most of their actions, by an intense nationalism which wishes the Dutch colonial possession in the Pacific to be transferred in toto to native hands. The Dutch have several reasons for wanting New Guinea: they wish to maintain one last outlet in the Pacific for their energies and capital; they shrink from the psychological effect of the entire loss of empire in the Pacific and their relegation to the role of a tiny, crowded European country. They make much also of the 200,000 men and women in Indonesia of mixed Dutch and native ancestry. These people, legally Dutch, could be made neither comfortable nor happy in Holland, and many of them may dislike remaining in Indonesia under native rule. New Guinea might constitute a homeland for them.

In this matter, for perhaps the only time, the Dutch were backed by the United States and Australia—the former because it wished to retain New Guinea bases in Western hands, the latter because as co-administrators of the island they have no wish to encourage a nationalist movement in New Guinea however much they may favour it elsewhere.

The transfer of sovereignty was a momentous event but it was greeted with mixed feelings by the commercial community in Indonesia. Although one of the agreements signed at The Hague provided that foreigners of all nations should have equal rights in the participation of trade in Indonesia and in the economic activity and industrial development of the country, there is little optimism in foreign circles because of the uncertain outlook. On the other hand, the Budget deficit for 1949 turned out to be less serious than expected and production of some of the more important export commodities has increased, but it will take many years for Indonesia to recover her prosperity and in the case of some commodities this position may never be regained, but the wealth of the country is so great that an economic revival will surely come if law and order is restored throughout the country.

FUTURE PROSPECTS

The economic prospects for Indonesia are determined by the manner and measure of co-operation with Europe and America and only with continued co-operation with the West can Indonesia be guaranteed a permanent welfare policy which will ensure an economically acceptable standard of living for the millions. At the same time the supply to the world of the staple products which this tropical storehouse can produce in such abundance, can be continued. This co-operation is essential, for only then can Indonesia be assured of a flow of new capital, of the supply of necessary intellect, of the experience of what has already been achieved.

Prospects for the People

The objective of the economic policy for the people is the raising of its standard of living. Before the war the economic policy in Java resulted in the fact that despite the enormous increase in population, the standard of living did not decline. Economic improvement maintained, therefore, an even balance with the increase in population.

A break through in this parallelism is only possible in Java by a quickening of the economic tempo, as a lessening of the population increase, for the time being at least, it not to be counted on. Economic development must take place along three obvious lines; an increase in food production, emigration and industrialisation.

Little is to be expected of a rationalisation of labour in Java. The head of a Javanese family works—following his century old agricultural methods—only about 100 days per year measured by European labour output. If he has sons, then his output is still less. The small piece of ground which he has at his disposal, in average 0.8 acres, gives him no opportunity for a greater effort. Increase in food production is dependent upon an improvement and an extension of irrigation, seed selection, artificial manuring, the combatting of diseases and plagues, agricultural intelligence and the reserve of forests for hydrological purposes. It is necessary to bring a sufficiently varied diet within the reach of every Indonesian. A more intensive agriculture may be of some help but every natural limit of expansion has been reached. Yet every advantage taken of nature by the application of scientific knowledge and technique is neutralised by the very success of its results—an increase in the population.

The supply of food is the most important internal factor, as clothing and housing do not take a prevalent place in this tropical country.

Before the Japanese occupation, the emigration figures from Java to the outer islands amounted to 50,000 persons per year, which, in view of the yearly increase by 600,000 was not

of any great significance. The difficulties were big, however, for if there is anyone devoted to his land and his village, it is the Javanese. A scheme for the yearly migration of 100,000 young families was made, and for this purpose a number of areas in the outer islands had been explored.

Necessity of Industrialisation

The pith of the matter must lie, however, in industrialisation, whereby a broader economic basis and standard of basic and secondary industry, accompanied by an encouragement to produce articles for export for which Indonesia is particularly suited. It is not intended that Indonesia should become an industrial country, but that it should be encouraged towards an agrarian-industrial structure. For that reason it is not intended that industry should be concentrated in Java but that the principle should be adopted that every part of Indonesia should take part in the industrialisation, according to its possibilities.

The electrification of Java is one of the first things that is feasible. There is water power in plenty and if technical demands are adapted to the circumstances, then, as is the case in Japan, every village can be connected to the electric network.

The inclusion of Indonesians in responsible posts will be a first consideration in the new set-up. For this purpose a large number of selected Indonesians are being given a scientific and practical education in colleges now giving higher education in Java, but a much wider system of education is urgently needed to furnish personnel capable of supplying the technical skill and supervision necessary to the success of modern industry and business.

GENERAL BACKGROUND INFORMATION

Area

The Republic of Indonesia (formerly the Netherlands Indies) comprise the greater part of the archipelago which lies between the southernmost tip of the Asian mainland and the north shore of Australia, dominating the passage between the Indian and the Pacific Oceans. It bridges, so to speak, two Continents, between the South China Sea and the Pacific Ocean to the north and the Indian Ocean to the south. Over 2,000 islands are contained in the archipelago. Sumatra, Java, and the Lesser Sundas form the western and southern boundary, the latter connecting in a northeasterly direction with New Guinea. Encompassed within this area are the islands of Borneo, Celebes, the Moluccas and numerous smaller islands. Three bridges of islands connect Borneo and Celebes with the Philippine Islands to the north. Though it appears from a distance to be a large natural unit, a closer view reveals two significant physical differences, one climate and the other volcanism, which have

greatly influenced the economic development of certain areas. While the islands near or on the equator—Sumatra, Borneo and New Guinea—have a copious rainfall throughout the year, the islands to the east and south have less total precipitation and a dry season. Java occupies an intermediate position between the two types and it seems likely that its relatively advanced social and economic status has been due to its location and to the effects of its favourable climate on soil and vegetation.

Natural Regional Divisions

Java and Madura, with an area of 51,082 square miles, or 7% of the total, have 67% of the cultivated land area of Indonesia. The backbone of Java is formed by a series of volcanoes rising singly or in groups from the alluvial plain. In north central and east Java low hills are characteristic of the coastal plain. In west Java, which is highly mountainous, there is only a narrow strip of lowlands along the northern coastline. To the south, except for one stretch in the centre, the mountain range drops directly into the Indian Ocean. Accordingly, the south shore of the island has only one navigable port, and the principal rivers, which are all non-navigable, all flow northward into the Java Sea.

Sumatra proper, with 164,147 square miles, ranks second in population and in development of natural resources. A mountain range stretches from northwest to southeast. On the west, it drops abruptly to the Indian Ocean, while to the east it slopes more gradually to a broad alluvial plain along the Strait of Malacca and the South China Sea. Its important rivers, some of which are navigable for coastwise steamers for some distance, all flow toward the east.

Bali, separated from Java by the Straits of Bali, and its neighbour, Lombok, are the most populous and highly developed agriculturally of the Lesser Sundas, which include Sumba, Sumbawa, Flores and Timor. All of the Lesser Sundas, with the exception of Sumba, are volcanic. Bangkok, Billiton and Singkep, the "tin islands" off the southeast of Sumatra, are non-mountainous, with hills up to about 2,000 feet.

Netherlands Borneo occupies 208,285 square miles of the island's total area of 290,649 square miles, the remainder constituting the British-governed territories of Sarawak, Brunei and North Borneo. The area is sparsely populated and little developed. The island is crossed by a mountain range from the northeast which spreads southward in several directions, forming a number of distinct mountain systems. Extensive river systems rise in these mountains and flow through the valleys and plains, which widen out into vast swamplands in the lower reaches. There are four principal river systems, one flowing westward into the South

China Sea at Pontianak, one southward into the Java Sea at Bandjermasin, and two eastward into the Strait of Macassar, respectively at Tandileng Salor and Samarinda. These rivers are navigable for considerable distance from their outlets.

The Celebes archipelago, consisting of Celebes and surrounding islands, has an area of 72,986 square miles. Celebes proper, with an area of 65,663 square miles, consists of a core from which extend four distinct peninsulas, all of which are mountainous and volcanic. There are numerous rivers, some of which drain large areas. These rivers are navigable for small craft only, and for short distances. Fertile tablelands are found in many parts of the northern peninsula as well as in the Macassar, Bantaeng, Bone and Pare-Pare districts of the southern peninsula.

New Guinea has a total area of 316,861 square miles, of which 159,375 miles, or about half, are contained in Netherlands New Guinea. The island's backbone is highly mountainous, while the coastline, especially in the west and south, is covered with swamps. The island is still undeveloped and is thinly populated.

Climate

Owing to its situation under the equator, Indonesia has no distinction between warm and cold seasons. The average temperature of the hottest month, October, is only one degree higher than that of the coolest, January. The difference between the longest and shortest day is about 48 minutes; therefore the duration of the sun's radiation is very uniform, and the difference in temperature throughout the year is not great. The daily variations in temperature are less than in the tropical continents owing to the influence of the sea, which tempers the heat by day.

In Djakarta, the average temperature is 80.6°F. with an absolute minimum of 71° and an absolute maximum of 96°. This is about the annual average for all of the archipelago at sea level. With an increase in altitude the temperature decrease is about 1° to 400 feet. The average mean relative humidity is 80%, with a minimum of 20 and a maximum of 92%. The atmospheric pressure is also very even.

The winds are the regular alternating monsoon and trade winds, the period of change being marked by the inconsistency of the winds and by thunderstorms. South of the equator the rains come with the west monsoon and the east monsoon brings the dry season. The period of the least rainfall is from May to August and that of the greatest from November to January. Annual rainfall varies considerably in different parts of the archipelago. Rainfall totalled 71 inches at Djakarta, 182 inches at Buitenzorg, 74 inches at Palembang, 81 inches at Bandjermasin and 127 inches at Macassar. The

difference between the monsoons varies greatly, so that in Java in some years there is no real dry season, while in other years the dry season lasts for months at a time.

Population

The last official census of Indonesia was taken in 1930, when the total population was given as 60,727,000. (Indonesians 59.1 million, Europeans 241,000, Chinese 1,233,00, other Asians 116,000). The population in 1940 was estimated at 70,476,000 based on a probable annual increase of 1.5%. During the war years it is believed that there was very little increase in population so that it may be assumed that the present total does not exceed 72,000,000.

The native population consists of the following groups:—The inhabitants of Java and Madura (Sudanese, Javanese, Madurese), the Atchenese, Bataks, Menang Kabaus of Sumatra, the inhabitants of Bali, Lombok (Sasaks), those of South East Borneo, the Minahassans Boeginese and Macassars of Celebes and the Papuans of New Guinea and adjacent islands.

Amidst these divergent races of peoples live the foreign groups (Europeans, Chinese and others), each with its own customs and standards of living. Thus life is characterised by a cultural and economic pluralism typical of Eastern countries. The disparity between Western and native ways of life dominate the scene: Occidental civilisation with its capitalistic organisation contrasts sharply with the indigenous village structure wherein an entirely different scale of social and economic values prevails. This dualism expresses itself clearly in practically all aspects of life. Individuals cross the boundaries between groups (as in the case of western educated natives and even more with the Chinese) but the broad categories remain distinct.

The native races are engaged almost entirely in agricultural pursuits. The Chinese, who in many ways form an integral part of the country's economic life, virtually control its local industry and commerce. As intermediate traders, they form an essential link between the European importers and the native consumers and both the established and travelling retail trade is practically entirely in their hands except in the very large towns. By reason of their intelligence and diligence, many are successful owners of large merchant houses, banks, plantations and factories.

The Europeans form the small but controlling element of all major commercial and industrial enterprises. External trade has been built up by large European merchant houses, mainly Dutch, and Indonesia's most valuable products have been developed for export by foreign enterprise; similarly, industrial undertakings such as cement, soap and cigarette factories

have been set up by Europeans.

As explained, in the past the Indonesians have not themselves engaged in trade except in a small way, but recently there has been an increased Indonesian interest in commerce and industry. A number of private Indonesian import/export firms have been set up and the Government has endeavoured to stimulate Indonesian participation in both external and internal trade through officially controlled or sponsored commercial undertakings. The bulk of Indonesian foreign and internal trade, and of her industry is still, however, carried on by foreigners.

In the last decade the population problem has become critical. In the first place, the limits of cultivable land have almost been reached. Further possibilities of increasing production on land already cultivated are very limited because of the high intensity of use already attained. Indeed, cultivation in certain areas has already over-reached itself, particularly on sloping lands, leading to serious soil erosion. It is, therefore, an imperative necessity to find them new opportunities for making a living. One way is through emigration, another by the development of manufacturing.

A rapid development of factory industry on western lines is thus very necessary in order to open up labour opportunities for the surplus population and also to provide a wide range of cheap consumer goods of a type suitable for native use within the purchasing power of the labouring classes.

In the past it was the policy of the Dutch Government to restrict local industry to agricultural produce with the object of ensuring a market for manufactured goods from Holland. It was a simple economy; Indonesia produced the raw materials—Holland, the manufactured goods. This is no longer a practical proposition for Indonesia as an independent State, and the monopolies which Holland previously exercised must obviously now cease.

The development of small local industries for the supply of the native's daily needs for all types of simple commodities ranging from matches to needles and similar necessities (all of which are at present imported) is an urgent matter and one which is occupying the attention of the Indonesian authorities.

Language

As the language of general intercourse among the different native-language groups and between the latter and the western population, Malay predominates. In a revised form, which adapts the spoken language to the need for a universal written language, Malay is now generally known as the Indonesian language (Behassar Indonesia). There are, however, numerous indigenous languages for local use. The most important of these in Java and Madura are Javanese, Sudanese and Madurese.

BUSINESS CONDITIONS IN THE UNITED STATES

The rush to buy, which made January an extraordinarily active month in trade, has abated somewhat since the price freeze was ordered January 26, although by any standard demand holds at a high level. In recent weeks gains in department store sales over a year ago have averaged 15 percent, which is large except as compared with January's 28 percent. The slackening in wholesale trade has been more pronounced. A chief reason is the effects of the freeze itself, which in some lines paralyzed business because it placed retail price ceilings too low relative to replacement costs. But this may not be the full explanation. Buyers all along the line have been anticipating requirements, increasing commitments, and enlarging inventories. Business men know, however, that buying may be overdone, and with the risk — however small — that some change in the international situation might make inventories look less desirable it is not surprising that notes of caution are being uttered.

A slackening of this kind occurred last fall. If it recurs now the general situation will be the better for it. The buying rush has had beneficial effects in that it stimulated production and brought unemployed resources into use. The U.S. has on hand greater reserves of finished goods—of new durable goods particularly — and the ability of the economy to function efficiently if a period of deprivation comes has thus been strengthened. On the other hand, the pressures to buy have become disproportionate to the increase in supplies, and they have contributed to the inflationary spiral. What is now needed is restraint in spending and in stocking up, and more saving.

Bullish Price Expectations

That moderation of the boom psychology would go to the other extreme and bring about any significant recession seems unlikely, in view of the outlook for high industrial production and employment, a rising national income, and increasing government purchases as the year goes on. Price expectations in the main continue bullish. Mr. Johnston and Mr. DiSalle, who bear the chief responsibility for price stabilization, are frank in saying that they do not expect the rise to be halted for some months. Their reasons are apparent. Most agricultural products are exempt from control by reason of the statutory prohibition against ceilings below parity or the pre-Korean level, whichever is higher. Formulas for wage stabilization will allow further increases in wage rates, hence in costs, and in wage incomes. Finally, replacement costs, where they are too

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THE MERCANTILE BANK OF INDIA, LIMITED

STATEMENT BY SIR CHARLES A. INNES, K.C.S.I., C.I.E., CHAIRMAN OF THE BOARD OF DIRECTORS
AT THE 58TH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD IN LONDON ON MARCH 29, 1951

You will have seen from the Directors' Report that Sir Thomas Smith is not seeking re-election as a Director. His retirement is greatly regretted by all his colleagues on the Board, and most particularly, by myself. He and I have worked closely together ever since he joined the Board 16 years ago. As Director and Deputy-Chairman he has rendered valuable service to the Bank, and we consider ourselves fortunate that we have had the benefit of his experience and wisdom for so long a period.

Accounts

The accounts may briefly be dealt with. On the liabilities side the first thing to notice is that as you will already have seen from the Directors' report, we have added to our Reserve Funds. They now stand at £1,350,000, or £300,000 in excess of the Bank's Paid Up Capital. Deposits have increased by £12 millions, and the Balance Sheet total stands at £67 millions compared with £54 millions in 1949. On the Assets side, the outstanding features are an increase of nearly £7 millions in Bills and £4½ millions in Loans and Advances. These increases are the direct result of the very much higher commodity prices which prevailed especially in the second half of the year. Our profit is up on the previous year's figure, and we are again paying a dividend of 12 percent, less tax for the year. The contribution to the Pension Fund and the additional allocation to Contingency Account are the same as last year, and we are again putting £50,000 to Premises Account. You will notice that this last account has again increased from £414,655 to £550,223. The new Bank in Bombay to which I referred last year has been completed and paid for and is now in occupation. We have found it necessary also to build premises for the Bank in Osaka and we have been compelled to continue our policy of buying or building flats and houses for our Eastern Staff in many places in the East.

(*The Balance Sheet of the Bank will be found on pages 360/61*)

Far Eastern Situation

Since I addressed you last year there has been a serious worsening of the international situation. In July last the United Nations found themselves involved in war in Korea, and I need not emphasize the dangerous implications of a war in that part of the world for an Eastern Exchange Bank with important interests in the Far East. These dangers have been much increased by the intervention in the war of the Chinese "volunteers," and there is no doubt that the temporary setbacks which the United Nations sustained towards the end of the year in

Korea have had unfortunate repercussions all over the East. But while the political scene darkened, the immediate effect of the international tension and of the war in Korea was to create a somewhat hectic prosperity in many of the countries in which we have branches. Trade boomed in Hongkong and Japan. There was a scramble for rubber and tin, largely for strategic stockpiling, in the United States and many other countries, and prices rose to heights which a year ago would have seemed quite fantastic. Malaya and Thailand and in a less degree Ceylon profited greatly, and moreover since rubber and tin are important earners of dollars, the rise in the price of the two commodities materially helped to alleviate the world dollar shortage and to improve the position of sterling. Pakistan, too, benefited by the demand for its jute, cotton and wool, all of which fetched high prices. As was only to be expected, the higher level of commodity prices increased the pressure on banks for finance, and this trend is reflected in our accounts in the higher proportion of our resources which is invested in loans, advances and bills. These very high prices obviously cannot last indefinitely, and the possibility of a sudden break in prices, though at the moment it does not seem to be likely, has always to be borne in mind. Another undesirable consequence of the high level of commodity prices lies in the impetus given to inflation not only in this country but also in most Far Eastern countries. Almost everywhere the cost of living is rising, and this problem is probably the gravest economic problem which confronts the Governments concerned. We see one result of it in the continued rise in our costs. I have also to record with great regret that no progress has been made in resolving the dangerous Kashmir dispute between India and Pakistan. The dispute is now before the Security Council, and if it cannot find a solution, I am afraid that the consequences may be serious. On the other hand an encouraging feature of the year was the holding of the Commonwealth Conference at Colombo. The Consultative Committee appointed by the Conference produced in September last what is known as the Colombo Plan for Co-operative Economic Development in South and South-East Asia. This plan contains an authoritative diagnosis of the fundamental economic problems of India, Pakistan, Ceylon and Malaya, and realistic programmes designed to overcome those problems. The programmes involve an expenditure of some £1,800 million spread over a period of six years, and apart from other useful projects, they contemplate bringing some thirteen million

additional acres under cultivation. Finance may be the difficulty, but it is greatly to be hoped that it will be forthcoming. For if the programmes can be carried out, the standard of living in all these countries will be raised to the great advantage, not only of the countries themselves, but of the whole world.

India

On the 26th January last India completed the first year of her existence as an independent republic. It was a year of economic strain. The new republic began under the handicaps of an inflationary position which still persisted five years after the end of the war that caused it and of an economy seriously weakened by the partition of the sub-continent. Also, for a variety of reasons, the flow of savings into the capital market had almost dried up. To these problems were added those arising from the fact that for part of the year trade between India and Pakistan almost ceased. International events intensified the strain, and moreover there was a succession of natural calamities of unusual severity, the crowning misfortune being the failure of the *kharif* crop over a wide area. There are some bright spots in the picture. In the twelve months following the devaluation of the rupee in September, 1949, there was a favourable balance of trade of more than nine crores of rupees compared with an adverse balance of nearly 221 crores in the previous twelve months. Import restrictions contributed to this result, but there was also a considerable improvement in the export trade. Indeed, Bombay experienced something of an export boom, shipments of piecegoods reaching new high levels. In some industries, too, notably cement, coal and paper, there was an increase of production, and the tea industry had a good year though costs of production remain very high. Also, there were fewer industrial disputes though a prolonged mill strike in Bombay did much harm. On the other hand the trade deadlock between India and Pakistan still continued. No exchange rate was fixed, and though a temporary Barter agreement in the middle months of the year afforded some relief, trade was virtually at a standstill for much of the year. Cotton from areas which are now in Pakistan used to supply 30 per cent. of the requirements of Indian mills. Very little of this cotton came to India in 1950, and the mills had to replace it by buying high priced cotton from the United States, South America and Egypt. The effect of the deadlock on the great jute industry on which the prosperity of Calcutta so largely depends was even more disastrous, and in February this

year there was serious danger that important groups of mills might have to close down for lack of raw jute. It was with a profound sense of relief therefore that news was received of the signing on the 26th February last of a Trade Agreement between India and Pakistan. Details of the Agreement, which will remain in force till the 30th June, 1952, have already been published, and I need only say that under it India will receive food grains, jute, raw cotton and hides and skins from Pakistan and will send in return coal, coke, pig iron, cement and iron and steel. The immediate effect of the Agreement should be to relieve the jute situation in Calcutta and to provide Pakistan with much needed supplies of coal, but the long term implications are even more important. For it is of vital interest to both countries that the normal flow of trade between them should be restored, and one can only hope that the two Governments will now settle outstanding political issues, especially that of Kashmir, in the same realistic spirit with which they have dealt with their economic difficulties. The failure of the *kharif* crop was a great disaster. It is reported that internal stocks of food grains have been reduced by six million tons and that there is grave danger of widespread famine. Under the new trade agreement India should get grain from Pakistan and she is scouring the world for other supplies but she has been compelled to make a cut of 25 percent. in the food ration. Naturally internal prices are on the upgrade and the cost of living is going up. These increases are particularly unfortunate since one of India's most pressing requirements is a fall in the retail price of essential food grains and a consequent reduction in the costs of production. The stagnation in the capital market still continues. There has been some improvement in equity prices since they touched their low point in July, 1949, but the Finance Minister himself has pointed out that there must be further improvement before any considerable investment in new flotation can be expected.

I must not omit to mention that from the Bank's point of view one of the most important events of the year was the award made in August last by the All-India Industrial Tribunal dealing with Bank disputes. The award has increased our local establishment charges in India by nearly 15 percent. It also decrees that any Bank which pays a dividend of 4 percent. or more to its shareholders must also pay a bonus to its employees, the amount of the bonus varying with the amount of the dividend. The cost is likely to be heavy. Further, the award reduces working hours for the local staff. This reduction has come at a most unfortunate time. The Government regulates import and export trade so closely now-a-days that the financing of such trade by a Bank is a very complex and laborious

business and makes far greater demands on the time of the staff than ever before. The award is the subject of an appeal to the Supreme Court, and I will merely say now that it looks as if the effect of the award should it be implemented in full may well be to restrict banking facilities in India and to increase the cost of banking services to the public.

Pakistan

On the economic side Pakistan has been more fortunate than India. Many people thought that the Government had taken a risk in refusing to follow the lead of the United Kingdom in devaluation and that it was merely a question of time before it would be found necessary to make some reduction in the exchange value of the Pakistani rupee. Whether these opinions were justified or not at the time when they were formed, there can be no doubt that with the outbreak of war in Korea a change has come over the picture. The war and its developments have created a strong world demand for Pakistan's principal exports, jute, cotton, wool and hides and skins. Prices have rocketed up and in spite of the 2/2d. rupee and heavy export duties on wool and cotton, Pakistan is enjoying an export boom. Even the jute crop is moving well in spite of the fact that little of it has gone to India, and it is reported that already more than half the current season's crop has been shipped. Shipments have been helped by the opening of a new port at Chalna. At the same time as the result of non-devaluation, internal prices of grain have dropped, and in contrast to India, Pakistan is well placed for food. The yield from the export duties too should ensure a comfortable surplus in the next budget, and Pakistan is enjoying a spell of prosperity. But as I have already pointed out, this prosperity is partly due to special and temporary causes, and taking the long view there can be no doubt that the Government has acted wisely in concluding the new Trade Agreement with India. In the Colombo Plan the Pakistan programme like the other programmes lays special stress on multi-purpose projects which combine irrigation, flood control and the production of hydro-electric power, but it differs from the other programmes in the greater emphasis laid on schemes for the development of industries. Her problem is largely one of the need to provide some diversification in an almost completely agricultural economy. But if the economic position of Pakistan is satisfactory, the political situation is less favourable. The unresolved Kashmir problem which she regards as a matter of life and death has been her main preoccupation, but in addition Afghanistan has adopted recently an increasingly unfriendly attitude. She claims all the Pathan country up to the Indus as part of her territory, and for some time past has been carrying out a campaign

of vilification against Pakistan and has been trying to stir up trouble among the tribes on the frontier.

Burma

Conditions are still confused in Burma, and it is not easy to obtain a clear picture of the state of the country. There seems to have been some improvement and the Government have made some progress in re-establishing their authority. They are in control of most of the major towns and communications have improved. But there is still much lawlessness in outlying districts and dacoity and sabotage are rife. The oil industry is at a standstill and there is not much export of teak, but in spite of all the troubles, exports of rice, though on a much reduced scale compared with pre-war figures, keep up surprisingly well. The Government keeps the trade in its own hands and no statistics have been published since September, but it is reliably estimated that exports have totaled 1 1/4 million tons. There has been a welcome improvement in the import trade, much needed supplies of piecegoods having arrived from Japan and India.

Ceylon

The prosperity of Ceylon depends on its three great export crops, tea, rubber and cocoanut products, and the Island had a very good year. I have already referred to the rise in rubber prices. Taking the average for the year tea prices improved even on the very high prices prevailing in the previous year, and as regards cocoanut products not only were record prices obtained but exports were stimulated by the removal of all export restrictions. The Government were able not only to increase the export duties on tea and cocoanut products but also to impose a new duty on rubber without affecting the flow of exports. The export duty on tea is now as high as 55.20 cents a pound. The London auctions are to be resumed in April next, and bearing in mind not only the high prices prevailing for tea in Ceylon but also the facts that in this country (1) rationing will be retained, (2) there will be a ceiling for price levels, and (3) a fixed rate of subsidy will be paid, one is tempted to wonder what price can and will be paid at the auctions for the 100 million pounds which the Government have agreed to release this year for shipment to London. The proceeds of the export duties will materially help the revenues of the Government and should ensure a surplus in the next budget. There was also a favourable balance of trade in 1950 amounting to nearly Rs. 400 million, and Ceylon has at present a favourable balance of payments. Ceylon therefore is very prosperous, but it has to be remembered that when world trading is resumed on a competitive basis, it will almost certainly be necessary to remove or materially to reduce the

export duties. Moreover, the Island's position is vulnerable especially as regards rubber. Costs of production are relatively high in Ceylon, and not so very long ago the Government were forced to take special measures to help the industry to meet world competition. Indeed, it is a weakness of the Island's economy that it is too dependent on three export industries. It is for this reason that a major feature of the Colombo Plan is an increase of some 20 percent. in the land under food production. One scheme designed with this end in view, namely, the construction of the Gal Oya dam, is already well ahead of schedule and should be completed by the end of this year. Inflation is prevalent. The subsidies on rice and flour were increased in the last budget, but even so the cost of living is rising. An important event in the year was the opening in August last of the Central Bank of Ceylon. The new Bank is already well established and is a welcome addition to the strength of the Island's economy.

Mauritius

Mauritius was again fortunate enough to escape a cyclone and for the fourth year in succession it harvested, at 456,600 metric tons, a record sugar crop. The price received for the sugar was better than in the previous year and the planters had a profitable season. The Colony is settling down under its new constitution, an anti-malaria campaign has been very successful and the Government is embarking on a programme of development and social welfare.

Malaya

Since Malaya is the world's chief producer of rubber and tin, it was only to be expected that the trade figures for 1950 should make astonishing reading. Banditry was worse than in the previous year and it speaks volumes for the courage and endurance of the planting community that the production of rubber increased by 30,000 tons. Exports both of rubber and tin were well up, but the main difference in the trade returns was caused by the steep rise in the price of both commodities in the second half of the year. In 1949 Malaya had an adverse trade balance of \$162 millions. In 1950 this was converted to a favourable balance of \$1,065 millions, but up to the end of June the favourable balance was only \$95 millions, and it was in the second half of the year that the great change took place. Currency statistics tell the same tale. The average note circulation was \$412.8 million in January and \$418 million in June, but in December it had risen to \$610.4 million. As these figures indicate, the general prosperity of Malaya brought a considerable measure of inflation in its train. The rise in rubber prices is of course phenomenal, but it must be remembered that costs of production have also increased enormously. Moreover, up to a year

ago the price of rubber had been kept at a very low level compared with the prices received for other primary products such as raw cotton. In spite of the profits made, rubber traders had in some respects a difficult year. There were at times wild fluctuations in prices and the proposed increase in the export duty in September came as a shock to the market and caused much controversy which ended only when the proposals were modified. Even in its present form the duty bears hardly on some producers. The finance of stocks at the higher prices was also a major problem. If, however, the year was one of economic prosperity, politically the position is not so good. Events in Korea have undoubtedly put heart into the Communists, and in the Federation the insurgents have been more active than in 1949. It is a sorry state of affairs when after more than two years of what is called "The Emergency" the Railways have been compelled to withdraw all night mail trains between Kuala Lumpur and Singapore. Another disquieting sign has been the spread of disturbances to Singapore, which up till recently had been relatively unaffected by the troubles in the Federation. One large factory was burnt, and there have been many other smaller outrages. The Government are now making special efforts to restore peace and order in Malaya before the end of this year, and it is devoutly to be hoped that they will be successful.

Thailand

1950 was a memorable year for Thailand in that it saw the return to the country and the enthronement of His Majesty King Phumiphon. In some respects, too, it was a prosperous year. Exports of rice are reported to have totalled 1½ million tons, and Thailand occupies a very important place in the economy of South-East Asia as the main source of supply of rice. There was a keen demand for another important export, teak, and producers of rubber and tin were naturally prosperous. The International Bank for Reconstruction and Development has granted three loans totalling more than \$25 million to the Kingdom. They are to be applied to the rehabilitation of the railways, the development of the Port of Bangkok and an ambitious project for the irrigation of rice lands in the Central Plain and should be of great benefit to the country. Adverse features are inflation, the terribly high cost of living and the tightness of credit. Also the country is very vulnerable to the Communist threat from the East.

Hongkong

Hongkong has experienced another year of remarkable prosperity. Imports during 1950 amounted to \$3,788 million, compared with \$2,750 million in 1949. The growth of exports was even more remarkable. They rose to \$3,716 million from \$2,319 million in the previous year. The embargo recently im-

posed by the Government of the United States on exports to China and Hongkong makes it unlikely that the entrepot trade of the Colony will continue on this scale during the current year. But apart from its entrepot trade, the Colony is rapidly becoming an important industrial centre. It has now thirteen cotton spinning mills employing some 26,000 workers, and in addition there are over 1,700 registered factories manufacturing a large range of goods for both the local and the export trade. The housing situation still remains acute, and there has been some industrial unrest. The war in Korea is of course uncomfortably close to Hongkong, but if the war does not spread and if the international situation improves, the Colony should have a bright and prosperous future.

China

I have little to add to what I said last year about our Shanghai branch except that during the past year the People's Government of China have succeeded in stabilising, and indeed enhancing, the value of the currency. As you can imagine, however, the outbreak of war in Korea and the American embargo on exports to China have further diminished the business of the branch.

Japan

The rehabilitation of Japanese industry goes on apace in spite of the difficulty experienced in obtaining adequate supplies of raw materials. Some industries have already exceeded their per-war production figures. The textile industry made great strides owing to the removal of restrictions on the number of spindles that may be operated, and now Japan is again a leading exporter of textiles. The outbreak of the Korean war had a very marked effect on foreign trade, and in the later months of the year there was an export boom. Our two branches have made a promising start and have played their part in the finance of imports and exports. But it must be remembered that there are still some restrictions on the participation by Japanese Banks in foreign trade. It can only be a question of time before all such restrictions are withdrawn, and when this happens our branches must expect severe competition. But even when the restrictions are removed, it will take the Japanese Banks some time to re-establish their credit throughout the world, and in the meantime the immediate prospects of our branches are not unfavourable. As regards the future much will depend on how far we can make use of our present opportunities to build up a reputation for quick, impartial and confidential service and to establish ourselves on a firm basis. Our position in Osaka should be strengthened when in a few months' time we move into the new bank building now in course of construction.

(Continued from page 348)

high in relation to ceilings prices at the next stage of distribution, will have to be passed on, lifting the ceilings. The Office of Price Stabilization recognized that this relief was necessary to keep business going, and it is provided by changes in the price regulations announced February 27, permitting retailers to add normal markups to the cost of goods purchased. In all these ways prices may advance.

Most industries have large backloggs of unfilled orders, to which the January buying contributed heavily. Manufacturers of consumers' durable goods face materials shortages which will limit their operations, but their prospect for at least the first half of the year is better than many people realize. The automobile companies have been ordered to reduce their use of steel in passenger cars in the second quarter by 20 percent below the average of the first two quarters of 1950. Even with this restriction and similar limitations on the use of copper and other metals, reliable estimates suggest that the automobile companies will be able to approach closely, although perhaps not equal, their production of 3,100,000 passenger cars in the first half of 1950.

Deferment of more drastic curtailment until the second half year, when arms production will be larger, tends to minimize the degree of "conversion unemployment" to be expected in the consumers' durables. Meanwhile the heavy industries are turning in remarkable figures. New orders for machine tools in December and January were four times the pre-Korean level, and unfilled orders equal seventeen months' shipments at the January rate. Building activity shows persistent vitality. Despite the credit restrictions, contract awards in January were 43 percent and in the first half of February 36 percent above a year ago, and new housing starts in January, while seasonally below December, were the highest on record for the month. Non-durable goods industries are under pressure to supply demand, which is augmented by government orders.

Inflation Control

The program to curb inflation is working badly. With respect to price and wage controls, the weaknesses in part are inherent. A freeze in either prices or wages destroys the flexibility which in normal times is relied upon to keep the economy in balance. It freezes inequities and impracticable relationships and for that reason checks production and trade, unless relief is given. But relief or exceptions in any direction raise demands for compensating relief or exceptions elsewhere. Meanwhile powerful political groups use their power to protect themselves against sacrifice, at the expense of requiring greater sacrifice from others. To exert pressure for this purpose, labor union leaders walked

SOVIET UNION ASSISTANCE TO CHINA IN 1950

In many fields of economic activity the Peking govt. reports large scale assistance by Russia and while much of this help has been given in order to cement the alliance between the two countries there cannot be any doubt that so far China has been the sole beneficiary of the Russo-Chinese friendship and other pacts concluded since the establishment of a People's China in October 1949. Peking's press constantly reminds the public of this fact and of the importance of Russia's assistance without which China today would be economically disorganized. The part of Russia is very great indeed and is bound to become more decisive in this year. However the Chinese people have, largely disappointed by the Korean war involvement, not been persuaded to welcome this Russian help although they realize that their nation can only advance if aided by economically strong countries. Since political considerations preclude working together with the Anglo-American nations, the only help could come from the Soviet Union and its satellites. Rapidly China is economically integrated into the Soviet bloc of communist nations and were it not for the fears of the outbreak of a third world war, the alliance with Russia could become more popular in China than it is, undoubtedly, today. The record of Russia's help to China during 1950 is, based on official releases of Peking, as follows:

By virtue of the credit agreement signed on Feb. 14, 1950, the Soviet Union extended to the Chinese People's Republic a credit valued at US\$800,000,000 extended over a period of five years and to be used for payment of deliveries from the U.S.S.R. of equipment & materials for the restoration and development of the national economy of China. This agreement took effect as from January 1, 1950, and was of particular importance in view of the devastation suffered by China's economy as a result of the Japanese invasion and the civil war. During the past 12 months, a considerable amount of industrial equipment has been received from the Soviet Union, including equipment for electrical power stations, metallurgical & engineering plants, mining equipment for the extraction of coal & ores, railway & other transport equipment, rails, & other materials. This loan at the low interest

out of the Wage Stabilization Board, resigned from all positions in the defense effort, and denounced Mr. C. E. Wilson, Defense Mobilization Administrator.

The United States Treasury seeks exemption from any increase in borrowing costs that might be caused by desirable anti-inflationary policies. The Congressional hearings on taxation become a cockpit of conflicting representations by groups intent on protecting themselves, culminating in the proposal of a labor union economist that exemptions from the personal income tax be raised to \$2,500 for a married couple; this of course would free more billions of dollars of income from taxation and leave it to exert its inflationary powers in the markets. While this goes on the rise in incomes and spending power continues, and well designed anti-inflationary measures such as Regulations W and X, limiting consumer and housing credit respectively, fail to have the anticipated effects because people can pay cash or meet larger down payments without the expected difficulty. (National City Bank of New York)

rate of 1 per cent has been an expression of the assistance given by the Soviet Union to the Chinese people in building their New Democratic economy & society.

The Trade & Barter Agreements signed in April last year between the two countries was a further expression of the spirit of the treaty of friendship, alliance & mutual assistance. On the basis of these agreements, the U.S.S.R. has been sending China various industrial equipment, including materials to restore & improve China's transport system, in return for raw materials from China. The terms of these agreements have been carried out to the mutual satisfaction & benefit of the two countries during the past year. They have been of added importance to China because of the trade blockade imposed by America.

Under a further agreement, the Soviet government has furnished China with several hundred experts & advisers to assist the Chinese people in the rehabilitation & development of their industry & agriculture. These men & women have come to China to offer their knowledge so that the work of reconstruction in China may benefit from Soviet experience. The Soviet experts have given invaluable aid in many spheres; in railway building & maintenance; in the training of locomotive engineers; in municipal construction & in heavy industry & agriculture.

Article 5 of the Sino-Soviet Treaty on economic assistance & cooperation has been supplemented by the agreements on the establishment of two Sino-Soviet joint stock companies for the prospecting, producing & refining of petroleum & coal gas and of non-ferrous metals. Another agreement provided for the establishment of the jointly operated passenger-freight transport airline linking up the two countries. These joint stock companies are formed on the basis of equal rights & partnership: China furnishes the sites, building materials & part of the personnel while the Soviet Union furnishes necessary industrial equipment & personnel. All the three agreements are operating to the mutual advantage of the 2 countries.

Implementing the agreement concerning the Chinese Changchun Railway, Port Arthur & Dairen signed on February 14, last year, the Soviet Union undertook to transfer to China all the property in Dairen provisionally administered or leased by the Soviet Union and the property in Northeast China acquired from Japanese owners by Soviet economic organisations. A joint Sino-Soviet commission which was set up to arrange these transfers completed its work last year.

These various forms of assistance facilitated China's economic progress during the past 12 months. The total output of steel in 1950, for instance, has exceeded the level reached in 1936, before the Anti-Japanese war and this achievement is inseparable from the assistance rendered by the Soviet Government. The same is true of road & rail transport. During 1950, the total mileage of railways in service is estimated at over 22,000 kilometres, which is double the highest mileage reached in 1936. In the corresponding period, the total mileage of highways in service was over 100,000 kilometres, whereas in 1936 it was only a little over 60,000 kilometres. These outstanding achievements would have been impossible but for the equipment & materials furnished by the Soviet Government and particularly the invaluable technical advice given by the Soviet experts working in China. Remarkable was the repair of the steel bridge over the Huai River and the repair of 61 bridges on the Canton-Hankow Railway, which had been completely wrecked by the Nationalists; these were all done with Soviet aid. Mechanised state farms were established with modern farm implements, machinery, fine seeds & cattle breeds also all received from the Soviet Union.

CHINA'S MINERAL RESOURCES AND SINO-SOVIET EXPLOITATION

Hampered by the Japanese occupation and the civil war which followed the end of hostilities in the Pacific, China's mineral resources—though supposedly vast—have never been exploited to the full. There are signs, however, that Soviet and Chinese experts have realised the enormous potential power which has remained hidden in the Chinese earth and latest reports from the mainland received in Hong-kong speak of a joint Soviet-Chinese intensified drive to prospect, mine and use in various industries the enormous wealth that has been stored up for ages throughout the length and breadth of the country. That wealth—both exploited or unused—is one of China's strong points in her relations with the Communist bloc of nations.* Soviet Russia, acknowledged and extolled tutor of the New China under Mao Tse-tung, has never removed her eyes from the fact that China as an ally is indispensable, if only for the fact of her enormous untapped natural resources. It would be wise for the democratic nations not to underestimate the determination of Russia and of Mao Tse-tung to make China "pay her way" in the Communist camp and to prepare for the use of China as a supply base for the raw materials needed for the massive war industries directed from the Kremlin.

Today, however, China's natural wealth lies practically unused. Her mining industry was disrupted during the war. The civil strife that followed added further to the deterioration of equipment and the destruction of large areas of exploited land. As a result, it was found necessary to explore vast stretches of territory in the interior provinces, most of which were untouched by either of China's two recent wars. Geologists of the National Resources Commission and the Ministry of Government sent teams of experts to Szechwan, Yunnan, Kweichow, Hunan, Kwangsi, Kansu and Sikang to meet the nation's needs, both in the time of the fight against Japan and in the post-war days that followed the Japanese surrender. Remarkable progress was made in this venture to find new mineral resources in little-known (at that time) areas and today the efforts of those experts have been laid in the lap of Russia's ally—Mao Tse-tung's China.

In all those interior provinces, new mining ventures were established with machinery from China's wartime allies. In addition, the natural resources lost to Japan were recovered in 1945—and these, too, are now part and parcel of the nation's assets to bolster her claim for fame in the Kremlin bandwagon. In 1949, for instance, China had 253 national reserves

for mining in 21 provinces. These national reserves, which are the property of the state, were distributed as follows: Coal—58 areas (Yunnan 16, Yunnan 9, Kweichow 7, Honan 6, Szechwan 6, Hopei 4, Kansu 4, Kiangsi 3, Shantung 1, Sikang 1, Jehol 1).—Iron—60 areas (Szechwan 18, Yunnan 10, Anhwei 7, Sikang 4, Hupeh 3, Kansu 3, Kiangsi 2, Kiangsi 2, Hunan 2, Fukien 2, Kweichow 2, Chekiang 1, Kwangtung 1, Kwangsi 1, Jehol 1, Ninghsia 1).—Tungsten—85 areas (Kwantung 43, Kiangsi 24, Hunan 17, Yunnan 1).—Tungsten and tin—1 area (Yunnan).—Antimony—2 areas (Anhwei and Hunan).—Copper—9 areas (Yunnan 5, Hupeh 2, Kiangsi 1, Szechwan 1).—Aluminium—15 areas (Yunnan 12, Jehol 3).—Zinc—1 area (Hupeh).—Manganese—1 area (Kweichow).—Mercury—2 areas (Hunan and Kweichow).—Phosphorus—2 areas (Yunnan).—Sulphur—2 areas (Chekiang, Kwangtung).—Mineral oil—14 areas (Kansu 6, Szechwan 4, Shensi 3, Sinkiang 1).

In the same year, private mining claims amounted to 6,100 areas covering an aggregate area of 44,473,949 acres (an acre is equivalent to 0.0247 of an acre). Coal mine areas, numbering 3,874, represented 63.51 per cent of all the private claims. While these areas are, more or less, in use at the present time and are being improved by the combined efforts of Soviet knowledge and Chinese manpower, it has been estimated that geological surveys throughout the country will tremendously increase China's ability to produce the raw materials for which Russia and other highly industrialised nations will pay high prices.

It is believed that oil reserves in China—though largely an unknown factor at the present time—may be one of the chief items on the Soviet-Chinese list of surveys now being made. Teams have been sent to Kansu, Shensi, Sinkiang, Szechwan and to the north-east provinces. Findings have been reported from Chinghai, Chekiang, Kweichow and Sikang, where detailed studies are under way to determine the economic value of the various reserves. In Nationalist times, the known oil reserves of China were estimated at 778,855,000 metric tons, including 520,000,000 tons of oil shale. One field capable of large production is that in Kansu, which lies at the foot of the Chilienshan range. In 1949, there were 24 wells there, of which 12 had turned out to be flowing producers. Two refineries were there before the Communist occupation. Another promising field is that in the Tianshan range in Soviet-dominated Sinkiang. Reports state that this field has been highly developed by Soviet technicians.

Also being sought for are tungsten—mainly found in Kiangsi—manganese

and copper. Most of China's known tungsten reserves are found in Kiangsi. Out of the known national total in 1949 of 5,342,000 m. tons, southern Kiangsi accounted for 4,939,640 m. tons. Manganese is mainly found in Hunan, Kiangsi, Kwangsi, Kwangtung, Fukien and Kansu. There have been, however, findings in Yunnan, Hupeh, Kweichow, Chekiang, Hopei and Liaoning. Copper deposits are found in most of the Chinese provinces with the main reserves in Yunnan, Sikang, Kweichow, Hunan, Fukien and Szechwan. In 1949, production centres of copper were in Yunnan, Szechwan and Sikang. It was estimated then that China had a reserve of 1,394,370 m. tons:

Lead and zinc deposits are usually found together. The chief lead and zinc producing areas are Hunan, Yunnan, Sikang and Szechwan. Kwangsi and Kweichow also produce lead and zinc in smaller amounts and Szechwan can refine zinc to a purity of 99.97 percent for military and electrical uses. An-tung and Liaoning provinces together have a lead reserve of 14,200,000 m. tons and a zinc reserve of 10,900,000 m. tons. Kirin has 3,000,000 m. tons each of lead and zinc.

Of the 652,000 m. tons of tin reserve, Yunnan has 360,000 m. tons, Kiangsi 240,000 and Kwangsi 52,000.

Of far greater value to the Communist bloc, however, is iron ore. Estimates of China's iron ore reserves differ, but it has been estimated that there are 2,554,896,000 m. tons. Some estimates are as high as 5,065,835,000 m. tons. The centres of China's iron and steel industries are in Anshan in the north-east, Shihchingshan in north China and Tayeh in Hupeh. After V.J. Day, however, as iron and steel plants in the north-east were almost completely stripped and the facilities at Shihchingshan and Tayeh were all in need of repair, normal production was never started. Recent reports from the mainland speak of the rehabilitation of the industries in the north-east with the aid of machinery supplied by Russia and with Russian supervision of production.

While iron is a major asset of China in its relations with the Kremlin, there is even a greater factor as far as the military potential of the Communist forces is concerned—thorium and uranium. Both of these rare metals are found in ore discovered in Hohsien, Fuchuan and Chungshan in Kwangsi province. The latest reports on this ore reveal that the thorium content is 0.158 percent and the uranium content 0.6 percent. As these two rare minerals are of supreme importance to military industries in the Soviet Union, special attention is being paid to Kwangsi, where reliable and persistent reports state that Soviet technicians, with headquarters in Nanning, are conducting province-wide surveys in cooperation with Chinese experts. It is worthy

CHINA'S DEVELOPMENT BY RUSSIA

A goal of 20,000,000 members throughout China has been set this year by the headquarters of the Sino-Soviet Friendship and Cultural Association in Peking. With funds provided by both Russia and China, new branches are to be established in all the main cities and towns of the country and special emphasis is to be laid on the exchange of technicians and students between the two countries. This is just one instance of the intense efforts now being made by the Communist rulers of China to inculcate in the hearts of the Chinese masses a feeling of friendliness—and of gratitude—to Soviet citizens. The reason is clear—the enormous influx of Soviet technicians, both in and out of uniform, into China since the occupation of the whole of the mainland by the forces of Mao Tse-tung. It is essential that the present-day rulers of China, so dependent on the technical superiority of Soviet Russia for the development of a backward country, should prepare a friendly road everywhere for people the Chinese still fear and mistrust after

years of Russian incursions into Chinese sovereignty. Some headway has been made—and as time goes on and the propaganda sinks in, the Russians will become the "big brothers" Mao Tse-tung wants them to be in the hearts of the Chinese common folk.

"Big brothers" they are, anyway, in China's industrial plants today. There are few organisations in Communist China which have not reaped benefit, either directly or indirectly, from Russian experts giving a helping hand in industrial matters from the key centres of Manchuria, Peking, Shanghai, Nanking and Canton. Always working in cooperation with their "Chinese colleagues" and usually taking secondary positions under a Chinese head of a particular organisation, the Russians are making it plain to the Chinese masses that their presence in China is certainly not one motivated by the Kremlin's expansionist plans. On every hand, the Russians are described as tutors and as friends working together with the Chinese people to develop the

of note that railway communications in this province are being quickly expanded to form links with the Canton-Hankow Railway.

While it is still too early, considering the undeveloped state of China's resources and the destruction caused by two wars, to classify China as a major source of vital materials, it is, nevertheless, a fact that long-term planning in the Communist camp envisages the use of that country as a base for essential materials—as well as manpower—and the flood of Soviet technicians to China's main centres is an augury of rapid development of vast wealth, so far untouched.

On October 16, 1949, the Central News Agency (Taiwan) reported the existence of two secret agreements between Russia and China—the Harbin and Moscow Pacts. Under the Harbin Pact, the agency stated, Russia and the Chinese Communists would cooperate in exploiting the economy of China's north-east (Manchuria). The Moscow Pact, said the agency, stipulated that Russia enjoyed a priority in mineral rights in China and that a Chinese commercial company under the joint management of Russia and the Chinese Communists should be organised to implement such a priority. It has also been pointed out in the United Nations by the Nationalists that Russia's main interest in China is the development of that country's resources. Dr. Tingfu F. Tsiang, the Nationalist delegate, has outlined in a lengthy statement to the Political Committee of the General Assembly the aims of Soviet Russia in China in the field of exploitation. He referred to the dispatch of large num-

bers of Soviet mining engineers from Harbin to China to assist in railway, industrial and mining enterprises and he added that a joint Sino-Soviet mining company had been formed to develop Manchurian mines. Quoting Liu Shao-chi, President of the Sino-Soviet Friendship Association, Dr. Tsiang referred to the quick rehabilitation of iron and steel industry centres, like Anshan in Manchuria. Without Russian help, he stated, the rehabilitation would have proceeded much more slowly.

Since Dr. Tsiang's statement, in which he cited numerous cases of Soviet-Chinese cooperation in the development of China's industrial and mining technique, there has been a steady—and ever-increasing—flow of Soviet experts to China. Today they are numbered in thousands and are stationed in most of the main cities of the country, especially in Peking, Shanghai, Nanking, Canton and the south-west. Eager to develop the country, the Chinese Communists are cooperating to the fullest extent with the Russians and, despite western wishful thinking that Communist China may not relish the presence of so many Soviet nationals in the country, it would appear to be a case of mutual assistance and of mutual determination to challenge the democratic powers. It must not be forgotten that China's vast reserves, which might have remained in the democratic camp, are now a mighty factor in the war potential of the Communist bloc. And, unlike the Nationalists and their allies, Mao Tse-tung and his Russian friends, are getting along with the job of making the New China a great power.

country after years of "imperialist exploitation"—especially directed against the "American imperialists."

A large Russian colony was established in the residential area of Hung-jiao (Shanghai) on the western outskirts of the city. Snugly ensconced in the stately homes of former British, American and other foreign "taipans," these Soviet experts, both civilian and military, have become a self-contained community. In order to make clear the difference between themselves and the "bourgeois capitalists" of Nationalist days, no Chinese servants are employed by them. The Chinese folk are their equals—although, today, most of the old houseboys wouldn't mind the degradation of working for these well-paid "brothers in toil." Russian chauffeurs are employed to drive Russian-owned cars. Russian cooks prepare Russian dishes with ingredients from the homeland and, of course, from fellow Chinese peasants. So large has been the influx of these Soviet citizens that Russian has replaced English as the second language of the shops in Buffling Well Road, in Avenue Joffre, in Nanking Road and in all the famous shopping thoroughfares of less austere and certainly happier times of "foreign imperialism." What are these Soviet experts in China for? There is only one answer: to develop the woefully neglected resources of that vast land and to make of the New China a world power.

While Soviet and Chinese mineral experts are scouring known and little-known areas of China for the full exploitation of the vast mineral ores that have been lying unused under the earth, while Soviet and Chinese transportation personnel go quickly ahead with the development of railways and roads, while Soviet agricultural advisers teach the Chinese peasant how to get the best out of his land and livestock, thousands of factories from Manchuria down to Shanghai and across the continent to the south-west provinces are being modernised and made more efficient through the help of Russian advisers or Russian-trained Chinese experts. Like the Nationalists before them, the Chinese Communists are spurred on by two main objectives: to expand China's industrial and mining production. And it must not be forgotten that no less than 15,049 factories registered with the Ministry of Economic Affairs of the National Government in 1947 are now part and parcel of the Communist war effort.

It is a disconcerting fact to the democratic powers in Asia and Europe—and especially to the United States—that most of these industries have been rehabilitated with money and materials provided by E.C.A. and the United Nations. Lavish sums were spent in the post-war years to aid the Nationalists in their efforts to put Chinese industry back on its feet and much headway was made throughout the

country, only for the Communists to defeat the Nationalists and to place China's industries in the Kremlin bloc of nations. When the Chinese National Relief and Rehabilitation Administration was first organised, it looked after the requirements of essential productive enterprises and public utilities such as coal mines, power plants, water works and building materials and U.S.\$70,000,000 worth of materials were shipped to China and were used in putting these industries, ravaged by war, back on their feet. Much of this money went into China's coal mines. It was estimated by the National Geological Survey that China's coal reserves were 261,174,000,000 tons, excluding Sinkiang, Mongolia and Tibet—next only to the United States and Canada. At the end of the war, CNRRA undertook the rehabilitation of Chinese coal mines by importing supplies from the United States, Canada and Great Britain. At the end of December, 1947, these supplies had reached a total of U.S.\$5,970,000. Electric generators and other machinery amounted to a total value of U.S.\$2,710,000. These supplies, however, were used only in China proper, Manchuria being under Russian influence. Nevertheless, the fact still remains that foreign money has rehabilitated China's coal mines for the benefit of the Communist bloc. And, according to the Nationalists, these supplies brought about a marked increase in coal production, some areas registering from 60 to 70 percent increases in output. Also rehabilitated by CNRRA were power plants, water works and over 300 machine shops. In the case of the latter, power generation, metal working, foundry, carpentry, forging and welding material for the railway workshops amounted to US\$5,500,000. A further sum of about US\$4,500,000 was spent on new machine shops, precision instruments and other supplies. And other large sums were spent by CNRRA in rehabilitating factory buildings, replacement of machinery and various other projects intended to modernise China's industries throughout the country.

Other aid poured into the country through the E.C.A. China Mission. An E.C.A. replacement and reconstruction programme worth U.S.\$70,000,000 was placed under the charge of the J. C. White Corporation and among the beneficiaries were the Yangtze Power Co., Kailan Mining Administration, the Tientsin—Peking Power Grid, the Taiwan Sugar Co., the Canton—Hankow, Railway, the Chekiang—Kiangsi Railway, the Peiping—Tientsin Railway, the Taiwan Railway, the Taiwan Power Co., small power plants in central and southern China, power facilities in Peking, Tientsin, Taiyuan, Mukden and Tsingtao, the Hankow power system, the Chinese Customs Service. On top of this sum, an additional U.S.\$37,750,000 was made available. With the exception of the Taiwan industries, all these organisations are

now under Communist rule and though, in some cases, rehabilitation work was not completed, they all benefitted by this E.C.A. allotment of funds.

In addition to all this aid, American war surplus poured into the country and though much of it was allowed to rot on wharves and in the open air at various depots, it was still there when the Communists took over the country. There was no reason to doubt that the locomotives, bulldozers, jeeps, trucks, rubber supplies and so on, left untouched by the Nationalists, could—and would be—utilised by the Communists and their Russian advisers.

Meant to bolster a powerful branch of the world anti-Communist camp, this generous aid from America and other nations has given a decided fillip to the war potential of a country that has the biggest and probably the best equipped army in the world—Soviet Russia.

As far as arms and equipment for the Chinese armed services were concerned, America was liberal in her grants of money and material. Today, in Korea, many American lives have been claimed by weapons made in the United States—weapons either captured by, or turned over to, the Chinese Communists. This sorry picture of misdirected aid is made even more tragic by the increased production figures reported by the Nationalists in 1947 as a result of outside help. Chinese Government and privately operated factories in that year increased their production from ten to 70 times and, in one case, 455 times that of 1945. The output of nitric acid, for instance, shot up from 5 metric tons in 1945 to 2,272 metric tons in 1947 and the supply of electric power and production of cement each increased nearly twenty-fold.

Some idea of China's coal production today—and the Communists are spurring their efforts towards greater production than was ever seen in Nationalist times—may be gauged from the fact that, in 1947, China's coal mines produced 19,488,000 tons. Other increases were reported in cast iron, steel, machine tools, machines, prime movers, generators, motors, transformers, communication equipment, lamp bulbs, cement, sulphuric acid, hydrochloric acid, caustic soda, nitric acid, alcohol, paper and cotton yarn. It is interesting to note that, at the time of the Communist occupation of the mainland, most of these industries were untouched by the hands of war and were in good working order when the Nationalist forces withdrew—in many cases without a fight. The production of petrol, which was under the control of the Nationalist Government, in 1947 was 8,773,000 gallons—not a large total, but an increase over the two previous years. It is quite feasible that similar increases have been made by the Chinese Communists since their assumption of control.

Since the Nationalists retreated to Taiwan, no stone has been left unturned by the Communists to carry on where the Nationalists and the Americans left off. And from Manchuria the flood of Russian technicians is still flowing into China's industries to speed up production and to modernise working methods. While most of the equipment remains as it was—British, American, French and so on—China's rejuvenated railways are bringing down Russian-made and eastern European-made machines to found new enterprises and to replace worn-out material. In exchange, China gives soya beans, various agricultural products, bristles and other typical Chinese exports. It is the proud boast of the Communists that though the American embargo has caused difficulties to the nation's economy, Russian and eastern European assistance is rapidly making the country independent of any of the western nations.

It is an undoubted fact that China has a government which wields the power of authority with a ruthless and efficient hand. Good use is being made of the natural resources of the country and, in order to win over the peasants and workers, who are the backbone of the country, the Peking government has instituted sweeping land reforms and labour laws making "heroes" of the country's toilers. That these measures are slowly bringing in dividends cannot be denied—propaganda properly used and efficiently spread must, sooner or later, soak in. Behind the Chinese stand the Russians—today, to all extents and purposes, in control of the vast north-east industrial area which the Japanese developed. In other parts of China, they are the tutors of a still industrially backward people. And that they are welcome visitors to China must not be forgotten. China needs Russia today just as much as Russia needs China and however great may be the difference between the two races, the two nations must go hand in hand in one ideological bloc—militarily and economically. The task of both the Chinese Communists and the Soviet Russians today is to develop the enormous untapped resources of China. Together they are getting on with the job and, for the start they received, they can thank the Americans.

SHANGHAI'S HEAVY INDUSTRIES IN 1950

Shanghai's heavy industries made some headway in 1950. Practically all public-owned factories completed their 1950 production tasks ahead of schedule, while privately-owned factories successfully dealt with government orders. All production schedules in the steel refining industry were completed between the latter part of November and the middle of December. The total output of steel ingots in Shanghai in 1950 showed an increase of 383 per cent over the previous year. The public-operated Asia Steel and Iron Factory produced nine times as many steel manufactured articles as in the previous year. There was a 3.7 per cent increase in the production of lead wire. Manganese iron production was 2.7 times greater than in 1949. Though failing to complete its overall production the Shanghai Electric Wire Factory succeeded in passing its production schedule of electric wire and electric porcelain by 25 per cent and 38 per cent respectively.

Shanghai's heavy industries had registered heavy declines in production following the bombing by Nationalist planes of the city in February, 1950, but there had been an increase after April of that year when commodity prices in the country had been stabilised and the demand for industrial goods had increased. As a result of improvements in factories, production costs had been lowered while output and quality of products had increased, especially in heavy industries. The labour charge for processing orders of iron and steel at the beginning of 1950 was estimated at 600 parity units a ton, but by the end of September it had been cut to 270 units. At the Shanghai Steel Factory, No. 1 Plant, production costs were estimated to have been cut down by 8.5 per cent.

Technical standards were raised, the Shanghai Electric Motor Factory, for instance, having built a 4,000-volt transformer. Another order had been taken for a 15,000-volt transformer. The privately-owned Yih Chung Fu Kee Electric Porcelain Co. had succeeded in producing transformers of 2,100 volts. A number of dyestuffs, including sulphur blue and red dyes, could now be produced in Shanghai—sufficient to meet the needs of a limited number of manufacturers. New dyestuffs plants and textile factories were established but of small scope only. Labour dissatisfaction with low wages is rather general.

CHINESE RAILWAYS

The long-planned and long-delayed railway from Chungking to Chengtu—a line that will facilitate the quick transportation of goods from the rich, south-western provinces to the rest of China—is nearing completion. Work was started on this line four months after the occupation of Chungking by the Chinese Communists and, under the aegis of the recently-formed Southwest Railway Engineering Bureau, traffic has already started to run on completed sections of the line.

For more than 40 years, the Chungking-Chengtu Railway has been marked on maps of China as an unfinished line. The project had its beginnings in the early days of the century when plans for linking the vast hinterland with the rest of the country were first discussed. In 1906, a Chengtu-Hankow Railway Co. was set up with loans from the Deutsch-Asiatische Bank and work was begun on the Hankow-Ichang section. But after the revolution Szechuan came under the domination of various warlords and further work became virtually impossible. The plan however was never abandoned and in 1931 local Szechuanese interests formed a promotion company to construct a Chengtu-Chungking

SHANGHAI'S WEAVING & DYEING INDUSTRY IN 1950

The weaving and dyeing industry may be divided into three groups: (1) The weaving and dyeing section of the state-operated Shanghai Textile Mill, (2) The weaving and dyeing section of the private cotton spinning industry and (3) The member firms of the weaving and dyeing guild. The industry has altogether more than 51,000 weaving machines of which the state Shanghai Textile Mill has 35 percent; private cotton spinning industry 20 percent; and guild members 45 percent. The machinery owned by the industry are as follows: public mills, 261 sets; private cotton spinning mills, 180 sets; and private weaving and dyeing mills, 1,495 sets.

Prior to "liberation," private weaving and dyeing mills produced averagely every month 2,082,692 bolts of printed cloths and 1,014,540 bolts of plain cloths, whereas the state-owned China Textile Industries produced 387,000 bolts of printed, and 679,693 bolts of plain, cloths taking the period from 1947 to 1948 as basis.

After "liberation," the output of private weaving and dyeing mills began to shrink due to dull market and capitalization difficulties. On the other hand, the "production enthusiasm" of

line. Once again this promotion was never carried through. In 1933, Mr. T. V. Soong, on behalf of the Nationalists, promoted a Szechuan-Kweichow Railway Co. and French bankers agreed to provide the major portion of the funds required. Under the terms of the agreement all the materials and rolling stock were to be purchased from France and French investors were to exercise control over the construction and operation of the line. In 1936, actual construction work began but the outbreak of the war with Japan dealt a death blow to the project and all work ceased.

After the war it was decided to go ahead once again with the plan and the Nationalist Government set aside large sums to continue the work. When the Communists took over Szechuan this line was 35 per cent completed. Actual work by the Communists began on June 15, 1950, with the line being divided into nine sections and with work proceeding simultaneously on each section. Already in operation is the section from Chungking to Ch'u Yang Chi—125 kilometres. Only native materials have been, and are being, used in the building of the line. Ten locomotives have been allocated to the line by the Central Railway Department as well as many boxcars. Steel from Taiyuan, used in the construction of the line, was shipped from source of manufacture to Chungking to be made into rails in the old war-time capital. The 1,200,000 sleepers required were obtained mainly from Szechuan.

The actual work is being carried out solely by Chinese with no Russian experts taking a hand. Members of the Railway Bureau staff, military engineers and unemployed workers, including rounded-up beggars, are carrying on the line to completion. It was estimated that no less than 100,000 persons were engaged in building the line.

Work is now proceeding on a Chengtu-Tiensin line, on a Luchang—Kweiyang Railway (Luchang is a station on the Chungking-Chengtu line), on a Kweiyang—Liuchow line, which, when completed, will join the south-west with Canton, and on lines linking Szechuan to North China. The Communists envisage in the near future direct rail links from either Chungking or Chengtu to all parts of the country, thus making available speedily and cheaply the rich natural resources of the south-west for development in China's industrial areas.

workers of state-owned mills rose. This, coupled with the assistance given by the People's Government to make state mills the centre for private cotton spinning and weaving and dyeing industries, resulted in the gradual improvement of the production conditions of state-owned plants.

In January 1950, Shanghai private weaving and dyeing mills produced 1,128,822 bolts of printed and 652,146 bolts of plain cloths, representing 54.2 and 64.26 percent of their normal levels respectively. State mills produced 418,048 bolts of printed and 699,436 bolts of plain cloths, exceeding their pre-Liberation levels by 14.5 and 5.4 percent respectively. Private weaving and dyeing mills encountered a number of difficulties after liberation. However, the state Cotton, Yarn and Cloth Company started allotting processing contracts from October 27, 1949. Up to the end of the same year, the state company entrusted private weaving and dyeing mills to manufacture 280,461 bolts and to dye another 106,209 bolts of cloth.

The February 6, 1950, air-raids plunged the Shanghai weaving and dyeing industry into the most difficult period. The number of suspensions increased while the output of mills in operation was cut due to slack market for finished products. During February, private plants produced only 389,387 bolts of printed cloths (19.18 percent of the normal level) and 129,967 bolts of plain cloths (12.81 percent of the normal level). Their output in March and April was also less than 50 percent of the January level. During this period, the Cotton, Yarn and Cloth Company continued distributing processing orders to private weaving and dyeing mills and furthermore raised the profit for processing from 8.3 PDU per bolt to 9.8 PDU after the February 6 bombing, but reduced it to 8.8 PDU after a reduction in power tariff. But partly due to the decline in the production power of the various mills and partly due to the disappearance of purchasing power, the amount of processing orders was not great. The total quantity of cloths for processing was 200,132.5 bolts in January; 62,717 bolts in February; 26,301 bolts in March; 141,839 bolts in April. The total quantity of cloths for dyeing for the government was 58,000 bolts in January; 5,000 bolts in February; 4,920 bolts in March; and only 170 bolts in April.

Commodity prices were stabilized, and even declined following the implementation of centralized financial and economic measures in March. With a view to rationalizing the ratio of prices between cotton yarn and cloths and other daily necessities, the People's Government started to purchase cotton cloths on April 8 which played an important part in stabilizing the prices of cotton cloths and maintaining the production of textile mills. The People's Government further readjusted the relations between public and private enterprises for solving the difficulties of the weaving and dyeing industry. Apart from allotting processing orders and making purchases of finished products, it brought home to labour and capital the causes of their difficulties and the importance of improving the method of operation and labour-capital relations and of strengthening the unity among the trade through the third conference of people's representatives of all circles, discussion forums and weaving and dyeing processing conferences. Beginning from May the industry entered a new stage of development, with production figures increasing. After September, the industry entered a brisk production and marketing season as a result of bumper autumn crops and the resultant rise in the purchasing power of farmers. Output of September reached 65 percent of the normal level; during

THE RUBBER MANUFACTURING INDUSTRY OF SHANGHAI

From the standpoint of the country as a whole, the Shanghai rubber industry was earliest developed on a comparatively large scale and with the largest number of equipments. Prior to the "liberation," Shanghai had 103 rubber factories possessing more than 50 percent of the total equipment of the country and with output and sales occupying more than 70 percent of the national total. In spite of the fact that the Shanghai rubber industry occupied the foremost place in the whole country, it had many weaknesses chiefly due to blind expansion. During the four years from VJ Day up to the eve of the take-over by the communists, many new rubber factories sprang into existence due to the rise in the purchasing power. The majority of the new rubber factories were small with poor equipment. The industry concentrated on production of rubber and canvas shoes, almost 60 percent of rubber plants made rubber and canvas shoes and rickshaw tires, few factories making automobile tires and rubber belts. As most of the factories have not been equipped with modern machines, many of them are still handicraft manufacturers, and require large numbers of workers.

The Shanghai rubber industry got into difficulties after liberation. During the three months of June to August, 1949, the number of rubber factories in operation was only 40 percent of

the total. From September 1949 to January 1950 the industry was aided by government supply of raw materials and purchases of finished goods and the number of factories in production was raised to 70 percent of the total. The February 6 air raid increased the difficulties of the industry with the number of suspended factories rising gradually. Factories in operation during February was 55; March 44; April 36. Through consultations between labour and capital, the industry managed to surmount its difficulties by salary cuts, employment by rotation and decentralization of staffs and workers for a fixed period. This, coupled with the government's efforts to readjust public and private relations, brought about a turn for the better from May.

From July 1949 to April 1950 the amount of purchases and purchase orders for rubber shoes by the Shanghai state-operated Commercial Trust Co. and the East China Miscellaneous Goods Corporation occupied 43 percent of total output. Including purchase orders booked by the Field Armies, the percentage came up to 80. More than 60 factories, or 70 percent of the total, benefited by government aid. Of these factories, five accepted an order for 47,000 dozen sporting shoes from the Ministry of Trade on April 27: The Ta Chung Hwa factory was allotted a production quota of 13,000 dozens; Cheng Tai, 25,000 dozens; and the three factories of Min Seng,

Nee Sun and Chung Nan, 3,000 dozens respectively.

The industry had originally a total membership of 103 firms, but being joined by 72 small factories for the purpose of participating in democratic appraisal of industrial and commercial taxes, the total membership increased to 175 in May. As no government orders were booked after May, the production figure of the industry showed a sharp decrease in June and July. Out of the total 175 factories, only 21 worked full time and 98 operated from 5 to 96 percent of total working hours.

The Central Ministry of Light Industry held a National Rubber Conference in Peking on July 15, 1950 with a view to tiding the rubber industry over its difficulties and putting it on the path leading to planned production and self-sufficiency in raw materials. The conference made a detailed study of the production and sales, raw materials and standard of the industry. In order to meet future requirements arising from development of communications, national defence, industry and mining, and agriculture, the conference decided upon the overall production policy of the industry: the rubber industry should be maintained at its present level, but emphasis should be put on resumption of key enterprises and it should prepare for future development. Furthermore, the industry should guard against blind competition, turn toward overall planned production. The industry should be geared in the direction of making productive materials and expanding output of large size tyres and belting. To coordinate with development of rural economy after the completion of agrarian reforms, the industry should turn to manufacturing parts for agricultural, conservancy, medical and sanitary machinery. Production cost must be lowered for service to agricultural villages. The conference also estimated total requirements for various kinds of rubber products during the coming year.

Regarding the readjustment of public and private relations of the industry, the conference agreed to the following:—(1) Division of labour between public and private factories. Public rubber plants should develop in the direction of producing capital goods. (2) Improvement of allocation of purchase and processing orders. Purchase orders should be distributed systematically and at key points, (3) Division of markets and sales areas. On the basis of the principle that "Freedom of domestic trade should be carried out under the unified economic plan of the state," the various areas should coordinate and readjust themselves flexibly but must not be divided inflexibly. (4) Price and cost. The prices of products of public and private factories should be based on the standard of consumption of raw materials or the cost of medium factories.

The work of the Shanghai rubber industry is now based on the sales figures of 1949 and the first half year of 1950, occupying about 88 percent of its original production capacity. The conditions of the Shanghai rubber industry during recent months have fallen in with the directions of the National Rubber Conference.

Output and Sales of Main Products of Shanghai Rubber Industry

| | | July 1950 | Nov. 1950 |
|--------------|--------|-------------------|-----------|
| Auto (outer) | | | |
| tires | Output | 546 pcs. | 2,613 |
| | Sales | 1,195 " | 2,507 |
| Auto (inner) | | | |
| tires | Output | 110 " | 2,606 |
| | Sales | 962 " | 2,582 |
| Rubber Shoes | Output | 35,759 doz. | 99,080 |
| | Sales | 40,611 " | 68,300 |
| Canvas Shoes | Output | 62,158 " | 62,465 |
| | Sales | 78,201 " | 74,714 |
| Flat Belts | Output | 3,825,025 in. | 5,489,212 |
| | Sales | 8,521,484 " | 4,402,819 |
| Triangular | Output | 1,050,509 "A" in. | 1,580,031 |
| | Sales | 884,936 " | 1,520,113 |

October, output of printed cloths reached 76 percent, plain 6 percent and coloured more than 65 percent, of normal time. Production target for November was 668,148 bolts of cloths and 1,652,698 bolts of dyed cloth; and 667,470 bolts of cloths and 1,654,058 bolts of dyed cloths for December.

With regard to the amount of processing orders distributed to private textile and dyeing factories, the Cotton, Yarn and Cloth Company signed a contract with them for weaving 243,119 bolts and dyeing 60,960 bolts of cloths in May; for weaving 271,178 bolts and dyeing 125,314 bolts of cloths during June; and for weaving 881,732 bolts and dyeing 487,968 bolts of cloths in July.

The amount of cloths processed for the government and their proportion in the total sales are as follows:

| Month | Dyed cloths | | Plain cloths | |
|--------------|-------------|---------|--------------|---------|
| | bolts | Percent | bolts | Percent |
| May | 57,791 | 7.42 | 189,794 | 41.86 |
| June | 60,554 | 8.18 | 212,828 | 54.03 |
| July | 858,284 | 80.00 | 195,756 | 46.40 |
| August .. | 410,573 | 30.95 | 226,675 | 45.83 |
| September .. | 886,814 | 22.49 | 228,184 | 42.75 |
| October .. | 315,367 | 21.16 | 125,028 | 26.83 |

Coloured cloths

| Month | bolts | Percent | yards | Percent |
|--------------|--------|---------|---------|---------|
| May | 11,826 | 12.06 | 171,389 | 37.95 |
| June | 16,889 | 17.80 | 50,089 | 9.15 |
| July | 17,891 | 16.87 | 70,552 | 17.03 |
| August .. | 11,777 | 8.94 | 160,557 | 34.16 |
| September .. | 10,138 | 6.39 | 202,228 | 42.48 |
| October .. | 8,856 | 4.38 | 53,166 | 11.19 |

The state Cotton, Yarn and Cloth Company readjusted public and private relations of the industry at its own expense. Cost of each bolt of cloth allotted to private plants for processing during May was 199,784 yuan but the market price was 198,158. That means that the state concern had to lose 1,626 yuan on each bolt of cloth processed. Although the charge for processing was reduced from 8.8 to 8.3 P.D.U. from June, owing to the change in the ratio of prices between cotton yarn and cloths, the cost of each bolt of cloth processed was Y196,794, whilst the market price was Y191,000, registering a loss of Y5,000. Again, government authorities suspended processing work in October to regulate demand and supply of cotton yarn. But in order to give consideration to the livelihood of workers of processing mills, they paid rates of processing as usual. The actual charge on every bolt of "People's Cloth" produced by state cotton mills was lower than that paid to private processing mills.

The following list shows the monthly output and sales of cloths since May, 1950:

| Month | Output | | |
|-------------------------------------|---------------|-----------------|-----------------|
| | Plain Cloths | Coloured Cloths | Canvas |
| May | 765,406 bolts | 318,565 bolts | 77,381 bolts |
| June | 738,791 " | 402,000 " | 94,941 " |
| July | 1,149,780 " | 450,946 " | 97,749 " |
| August .. | 1,296,258 " | 509,211 " | 117,832 " |
| September .. | 1,488,375 " | 543,352 " | 147,227 " |
| October .. | 1,525,543 " | 491,592 " | 214,487 " |
| | | | 510,823 " |
| Sales (including processing orders) | | | |
| Month | Dyed Cloths | Plain Cloths | Coloured Cloths |
| May | 778,442 bolts | 338,955 bolts | 98,927 bolts |
| June | 745,270 " | 398,941 " | 97,614 " |
| July | 1,194,346 " | 421,888 " | 109,261 " |
| August .. | 1,326,658 " | 494,600 " | 181,783 " |
| September .. | 1,495,568 " | 538,793 " | 158,624 " |
| October .. | 1,490,366 " | 466,188 " | 204,496 " |
| | | | 474,844 " |

MOTORCARS & PETROL SUPPLY IN SHANGHAI

The number of private and hire cars in Shanghai totals now only 600 which are practically all owned by officials and army personnel. Many cars have been laid up and are stored in backyards and dilapidated garages. Buyers are rare and prices paid by officials or govt agencies for used cars with a mileage of below 15,000 are around the equivalent of US\$100. New cars are of course not available but new buses and heavy trucks have been seen, especially in North China, which were imported from Russia but these vehicles run on diesel oil or are fitted with coal gas burners. Before the war there were estimated to be some 20,000 private and public cars in Shanghai the majority with 8 cylinders; smaller cars of British manufacture (8-12 HP, mostly 4 cylinders) numbered also a few thousand.

The US export embargo which as far as petrol and petrol products are concerned was followed by Britain has deprived China of motor fuel with the result that private motorcar owners no longer can use their vehicles. Petrol is sold on the black market in Shanghai where it fetches the equivalent of US\$6 to 7 per gallon. Substitutes for gasoline have been developed in wartime China (such as alcohol from pineapples) but the use of such substitutes is at present unknown in cities though it is reported from Fukien. The authorities state that there is no need for the operation of private cars as buses are provided both for city and highway transport. It appears likely that the army obtains limited gasoline supplies from Russia but for the time being the requisitioned stocks of foreign oil companies are being used up in Shanghai and in South Chinese cities by govt personnel.

Output and sales have been increasing, especially output of automobile outer tires. This production was 456 pieces in July, was raised to 2,618 in November, an increase of 5.7 times. The Chung Nan factory cut down production of shoes and turned to manufacturing automobile tires. Output of flat and triangular belts during November showed increase of 50 percent compared with July. This indicates that factories making capital goods have been developing during the past few months. At the same time, output and sales of rubber shoes have also increased.

The industry's power consumption was raised from 840,000 kilowatt hours in August to 1,880,000 in November. Consumption of crude rubber was pushed up from 467 tons in September to 766.4 tons in November. Total working hours in November reached 66 percent of normal level (computed on the basis of power consumption). With reference to the readjustment of public and private relations, apart from orders for rubber shoes allotted by the East China Miscellaneous Goods Corporation, the China Automobile Company has placed an order with the two rubber factories, Ta Chung Hwa and Cheng Tai, for 3,000 sets of rubber tires. The Shanghai Commercial Trust Company placed an order for 1,300,000 pairs of army shoes with the factories through the Rubber Guild, out of which Ta Chung Hwa undertook to make 260,000 pairs, Cheng Tai 386,000 pairs, Hung Tai 150,000 pairs, Nee Sun and King Kong 50,000 pairs respectively, other factories the remaining order. The order was to be completed before February 20, 1951. In addition, the Shanghai Commercial Trust Company is signing a contract with the industry for manufacturing 1,000,000 pairs of Liberation shoes.

THE SHANGHAI MACHINE INDUSTRY

Owing to the energetic support of the government, the machinery industry made significant progress. Many small machine works formed themselves into combines for joint operation. Apart from the First Shanghai Small Machines Manufacturers Combine (of 16 works) another eight joint operation offices have been formed by Shanghai machinery and boilers factories with a total membership of 132 works. The improvement in the industry is due to government aid. The industry is requested to carry out self-reforms, strengthening their organization, reducing cost, paying attention to specialization and division of labour and enlarging their services to heavy industries.

The machinery industry was in the doldrums prior to "liberation." At that time Shanghai had a total number of 1,300 odd machine works. The bulk of them were small factories with poor equipment. They lacked specialization and division of labour, fully displaying disorganized and planless production. Most machine works relied upon light industries for growth. Their production technique and equipment were suitable, only for manufacturing small machines and parts for textile industries and transportation enterprises, but could not meet the needs of heavy industries. That is why in the process of remoulding Shanghai industry and commerce the machine industry was confronted with such difficulties as dull sales and lack of funds just like other industries. During the three months from June to August 1949 only 10 percent of total machinery factories in Shanghai operated fully, 85 percent worked partially and remaining 5 percent were disbanded. During September to December of the same year, production conditions improved due to orders placed by East China Department of Industry on behalf of the Navigation Department, mining enterprises in the old liberated areas and the Ministry of Railways. The number of machine factories working full-time was raised to 50 percent; the number of those working part-time, to 45 percent. Purchase orders accepted during this period included 200 tool-making machines, primary motors having a total of 15,000 HP, 150 mining machinery and 7,000 sawing machines. More than 100 machinery works were aided by these purchase orders. Because the ship-building work of the Navigation Department had to be completed by the end of 1949, large machine plants which accepted direct orders from the government allotted the work for making machine parts to small-sized factories. This enabled many small factories to resume production.

The February 6 air-raid increased the difficulties of the industry. With a view to accelerating resumption of industrial and mining enterprises as well as helping private factories over their difficulties, the Industrial and Mining Machinery Adjustment Committee of the East China Department of Industry took out 60 kinds of industrial machineries taken over from the Japanese, and entrusted the various private machine works to repair them. The machines comprised principally tool-making machines, air compressors, electric welding machines and power generators. Private factories which benefited by this included Su Chung, Sin Yih, Shanghai, Hain Yeh, Hur Ching and China Industrial machinery works. During March 1950 the industry was relieved of the shortage of power supply, but due to under-production there was an excess supply of

electricity. Only about 20 percent of machine plants worked full-time and some 50 percent were suspended. Towards the middle of the month, the People's Government called an All-China Machinery Production Conference at which Premier Chou En-lai pointed out, "Machines which can be produced in the country must be self-sufficient as far as possible." The factories, however, could not secure purchase orders from the government.

During April, the industry was in its saddest plight. To pay regard to the difficulties of the Shanghai machinery industry, the Central Financial and Economic Committee instructed the Ministry of Heavy Industry to call an All-China Machinery Conference which resumed session on May 5 in Peking and ended on May 22. Although consultations were held at the conference regarding purchase orders for 1950, purchase orders could still not be distributed. To seek self-support, a number of machine factories moved to other localities during this period. For instance, the Su Chung machine works decided to shift to Mukden for cooperation with the Northeast Textile Mill, and to be re-organized into a joint public and private enterprise. The Fu Tai factory decided to transfer to Kiukiang to cooperate with the Hsin Chung Cotton Mill there. In addition, seven small machine works formed a "Small Machine Manufacturers Combine," to create the necessary condition for accepting larger purchase orders.

Under the urgent necessity of strengthening the readjustment of public and private relations and of paying regard to the difficulties of machine factories, the Central Ministry of Heavy Industry in conjunction with the East China Department of Industry fixed the machinery purchasing and processing work for the second half of 1950. The purchase orders covered 8 categories and 108 kinds of machinery including machine tools, generators, mining machinery, farming machinery, railway accessories, electric refrigerators. The East China Department of Industry started registration of public and private machine works from June 27, and purchase orders were allocated according to the equipment, number of technicians and workers, technical level, method of operation, labour-capital relations and blueprints of various machine works. Some 18,200,000 PDU worth of purchasing orders were signed between the Department of Industry and the Central Ministry of Heavy Industry, in addition to a complete set of paper making machinery, with aggregate value at 4,000,000 PDU.

During August and September, the Shanghai machinery industry made progress. First Shanghai Small Machines Manufacturers Combine: total membership from 7 at the outset to 16. The combine accepted an order from the state-owned China Petroleum Corporation and an order from East China Department of Industry, and a third order for pulleys and other railway accessories from the Shanghai Railway Bureau. Factories with better equipment and technique worked full blast to fulfill their orders. The privately operated Chung Hwa Iron Works received an order for 3 sets of paper making machinery, which would keep the production schedule filled for 8 months. The privately operated Tai Lee Machine Works received an order for weaving looms for 100,000 spindles from the Ching Nan Cotton Mill of Shansi.

REGULATIONS GOVERNING PRIVATE ENTERPRISES IN COMMUNIST CHINA

(Adopted at the 65th Meeting of the Administrative Council of the Administrative Yuan, 29th December, 1950; Promulgated 31st December, 1950)

CHAPTER I. GENERAL PROVISIONS

Article 1—These Regulations are promulgated in pursuance of the provisions of the Chapter on Economic Policy in the Agreed Platform of the Political Consultative Conference of the Chinese People to the effect that under the leadership of Nationalised Economy, encouragement and assistance shall be given private enterprises that contribute to the nation's well-being and the people's livelihood.

Article 2—The term "Private Enterprise" or "Private Enterprises" (hereinafter referred to as "Enterprise" or "Enterprises") as used in these Regulations shall mean enterprise or enterprises of various descriptions financed and operated by private individuals engaged in profit-earning.

Article 3—Enterprises are classified by the criterion of their organisation as follows:

A. Sole-Proprietorship and Partnership:—1. Sole-Proprietorship—Capital exclusively supplied by one person who bears unlimited liability. 2. Partnership—Capital supplied by two or more persons who bear unlimited joint liability.

B. Companies:—1. Unlimited Company—Organised by two or more shareholders who bear unlimited joint liability for the obligations of the Company. 2. Limited Company—Organised by two or more shareholders who are liable to the extent of the capital subscribed by them. 3. Unlimited Company with Shareholders of Limited Liability—Organised by one or more shareholders of unlimited liability and one or more shareholders of limited liability. The shareholders of unlimited liability bear unlimited joint liability for the obligations of the Company, and the shareholders of limited liability are liable to the extent of the capital subscribed by them. 4. Company Limited by Shares—Organised by five or more shareholders with its capital divided into a prescribed number of shares. Each shareholder is liable to the extent of the shares subscribed by him. 5. Company Limited by Shares with Shareholders of Unlimited Liability—Organised by one or more shareholders of unlimited liability and five or more shareholders of limited liability. The shareholders of unlimited liability bear unlimited joint liability for the obligations of the Company, and the shareholders of limited liability are liable to the extent of shares subscribed by them.

The name of a Company shall bear indication of the classification to which it belongs. No enterprise organised otherwise than as a Company shall denominate itself a Company.

Article 5—Enterprises engaged in the same trade, or engaged in different trades but related to one another in production or in business operation, may, of their own accord and at their own discretion, while preserving their respective organisations, organise themselves into an Association to operate jointly any part or parts of their business, and execute articles of association, and report to the Local Authority for approval. Public enterprises and public and private joint enterprises may participate in the organisation of such Association. An Association, when approved, shall be entitled to the protection of law. Nationalised Economy may give assistance to such Associations. Enterprises engaged in the same trade, or engaged in different trades but related to one another in production or in business operation, may, of their own accord and at their own discretion, abolish their respective or-

ganisations and consolidate and merge their business to form a new enterprise, and apply for approval and registration accordingly.

Article 6—In order to subdue blindfold production and to properly adjust the relation between production and consumption by way of gradual approach towards planned economy, the Government may when it deems necessary proclaim programmes for the production and consumption of certain vital commodities, by which both public and private enterprises shall abide.

Article 7—All enterprises shall enforce all laws and ordinances promulgated by the Government pertaining to labour.

Article 8—The property and business of an enterprise shall be entitled to full protection, and the right of operation and management shall belong to the person or persons making investment therein; provided that matters relating to the interest of both labour and capital shall be decided at the Labour-Capital Consultative Conference or by mutual agreement between the parties so interested.

Article 9—The business undertaken by an enterprise which the immediate needs of the nation call for, or from which no immediate profit can be realised in a short period owing to important technical improvements or inventions, may upon approval by the Finance and Economy Committee of the Administrative Yuan be accorded the privilege of tax reduction or exemption for a given period.

Article 10—Money to be paid on shares upon incorporation of an enterprise or upon its increase of capital, or money required in consolidation and merger with other enterprise or in a change in business, may upon approval by the Local Authority concerned and concurrence by the People's Bank of China, be obtained by surrendering gold and foreign exchange to the People's Bank of China.

CHAPTER II. APPROVAL AND REGISTRATION

Article 11—With a view to be consistent with the programme of planned economy, safeguarding the interest of the persons making investment, and preventing blindfold expansion, all new enterprises are required to make prior to their establishment application pursuant to laws and ordinances to the Local Authority concerned for approval of the business to be undertaken and to establish themselves not until after such approval of the business to be undertaken shall have been granted. Where laws or ordinances so prescribe, or where the business to be undertaken and the production-consumption programme of an applicant enterprise are of nation-wide scope, the Local Authority concerned shall transmit the application to the Central Authority having jurisdiction of the business concerned, for approval. An enterprise shall not engage in any business other than in the scope approved.

Article 12—An enterprise whose business to be undertaken has been approved shall after completion of its establishment make application for registration. A Sole-Proprietorship or Partnership shall make such application to the Local Administrative Authority having jurisdiction of industrial and commercial affairs, of the municipality or district in which it is situated; provided that, where laws or ordinances so prescribe or where the business to be undertaken and the production-consumption programme of the applicant enterprise are of nation-wide scope, the aforesaid Local Administrative Authority shall transmit the application to the Central Private Enterprises Bureau for record. An enterprise

organised as a Company shall make application to the Local Administrative Authority having jurisdiction of industrial and commercial affairs, of the municipality or the district in which it is situated, for transmission to the Central Private Enterprises Bureau for registration. An enterprise whose business to be undertaken has been approved and whose registration is being applied for may, when the Local Administrative Authority having jurisdiction of industrial and commercial affairs in its discretion so approves, commence business prior to the completion of registration. Matters required to be registered of an enterprise, unless duly registered, shall bear no legal effect.

Article 13—Enterprises allowed to do business prior to the promulgation of these Regulations are hereby allowed to continue to do so. The aforesaid enterprises shall apply for registration with the Local or Central Authority Concerned pursuant to the provisions of the preceding Article; provided that those enterprises required to be registered with the Local Administrative Authority having jurisdiction of industrial and commercial affairs which have been duly registered and recorded need not apply again for registration.

Article 14—Protection shall be given to enterprises duly registered for its right of exclusive use of its name: provided that such protection shall be, in the case of a Sole-Proprietorship or a Partnership, to the extent of the municipality or district in which it is situated; and in the case of a Company, to the extent of the whole country; and provided further that the exclusion from using a name by reason of this protection shall be limited to other enterprises engaged in the same business only.

Article 15—An enterprise may modify or alter its scope of business, establish branches, move its site, change, suspend or resume its business, or cease to operate and be dissolved; provided that approval shall be applied for towards the respective effects and that registration thereof shall be made accordingly.

Article 16—An enterprise organised as a Company Limited by Shares, or as a Company Limited by Shares with Shareholders of Unlimited Liability, may issue share certificates only after all monies on its shares or all monies stipulated payable on its shares in its articles of incorporation shall have been paid up, and the issuance thereof shall have been registered. Share certificates shall be registered in the name of the owner, and shall be transferable. Where bearer share certificates have previously been issued, such share certificates shall before the registration of the enterprise be exchanged for share certificates registered in the name of the owner. Solicitation of shares of a Company may be entrusted to or underwritten by banking institutions or investment companies. A Company shall not buy or accept as pledge its own share certificates.

CHAPTER III. INTERNAL AND EXTERNAL RELATIONS OF ENTERPRISES

Article 17—Insofar as they are not in violation of laws and ordinances, the internal and external relations of an enterprise shall be governed, in the case of a Partnership, by its contract; and in the case of a Company, by its articles of incorporation.

Article 18—In any enterprise organised as a Company the Shareholders' Meeting shall be the organ with supreme authority, provided that in an Unlimited Company with Shareholders of Limited Liability, and in a Company Limited by Shares with Shareholders of Unlimited Liability, concurrence by shareholders of unlimited liability shall be obtained in the adoption of resolutions. The Shareholders' Meeting shall be convened at least once a year. Ways of adoption of resolu-

(Continued on Page 362)

THE MERCANTILE BANK

BALANCE SHEET, 31

| 1949 | £ | 1949 | £ |
|--|---|-------------------|--------------------|
| Capital Authorised— | | | |
| 750,000 | 30,000 "A" shares of £25 each .. | 750,000 | |
| 750,000 | 30,000 "B" shares of £25 each .. | 750,000 | |
| 1,500,000 | 300,000 "C" shares of £5 each .. | 1,500,000 | |
| £3,000,000 | | £3,000,000 | |
| Capital Issued— | | | |
| 375,000 | 30,000 "A" shares £12 10s. paid .. | 375,000 | |
| 375,000 | 30,000 "B" shares £12 10s. paid .. | 375,000 | |
| 300,000 | 60,000 "C" shares £5 paid .. | 300,000 | |
| 1,050,000 | | | 1,050,000 |
| 1,200,000 | Reserve Fund (including Share Premium Account £300,000) | 1,350,000 | |
| 182,677 | Balance of Profit unappropriated carried forward to 1951 | 188,919 | |
| 1,382,677 | | | 1,538,919 |
| 2,432,677 | | | 2,588,919 |
| Current Liabilities, Provisions and Other Accounts— | | | |
| 261,812 | Notes in Circulation against security per contra .. | 282,374 | |
| | Current and Fixed Deposit and Other Accounts including | | |
| | Provisions for Taxation on Profits to date, Doubtful Debts | | |
| | and Reserves for Contingencies .. | | |
| 49,931,897 | | 62,018,130 | |
| 1,250,626 | | 1,827,893 | |
| 138,241 | | 246,225 | |
| 43,437 | | 43,406 | |
| 34,650 | | 34,650 | |
| 51,660,666 | | | 64,452,668 |
| £54,093,343 | | | £67,041,587 |

NOTES:—

1. Currency Assets and Liabilities have been converted into Sterling at the following rates:—1s. 6d. per Indian, Ceylon and Burma Rupee, 2s. 8d. per Pakistan Rupee, 2s. 4d. per Straits Dollar, 1s. 8d. per Hongkong Dollar, 7s. 6d. per United States Dollar, 4d. per Tical, Yen 1,000=£1 and Shanghai Jen Min Piao 80,000=£1.
2. There are Contingent Liabilities in respect of the following:—
Bills Receivable re-discounted £2,230,987 of which up to 5th March, 1951, £1,968,151 have run off.
Outstanding Forward Exchange Contracts.
Confirmed Credits and Guarantees entered into in the ordinary course of business.
Uncalled Capital amounting to £54,963 in respect of partly paid shares in Subsidiary Companies.

PROFIT AND LOSS ACCOUNT, for

| 1949 | | PROFIT AND LOSS ACCOUNT | |
|-----------|---|-------------------------|-----------|
| | | £ | £ |
| 13,000 | Amount transferred to Officers' Pension Fund .. | | 13,000 |
| 50,000 | Amount written off Freehold Banking Premises and Property .. | | 50,000 |
| 55,000 | Additional Allocation to Contingencies Account .. | | 55,000 |
| | Dividends: | | |
| (34,650 | Interim Dividend of 6 per cent. less Income Tax at 9s. in the £, paid 26th September, 1950 .. | £ | 34,650 |
| (34,650 | Proposed Final Dividend of 6 per cent. less Income Tax at 9s. in the £, payable 29th March, 1951 .. | | 34,650 |
| 182,677 | Balance of Profit unappropriated carried forward to 1951 .. | | 69,300 |
| £ 369,977 | | | 188,919 |
| | | | £ 376,219 |

R. N. DRAKE, Chief Manager.
H. L. HUGHES,) Accountants.
F. N. WITHERS,)

REPORT OF THE AUDIT

We have obtained all the information and explanations which to the best of our knowledge and belief so far as appears from our examination of those books and proper returns adequate for the purposes of our audit Loss Account which are in agreement with the books of account and returns. In our opinion and to the best of the Companies Act, 1948, in the manner thereby authorised for Banking Companies and on such basis the Balance Sheet gives a true and fair view of the profit ascertained in the manner therein indicated for the year

LONDON, 6th March, 1951.

K OF INDIA, LIMITED.

st DECEMBER, 1950.

| 1949 | £ | £ | £ |
|---|------------|------------|-------------|
| Current Assets— | | | |
| 12,374,008 | | | 13,024,257 |
| Cash in hand, at Call and at Bankers | | | |
| British, Dominion and Colonial Government and Other Securities (including £265,000 British Government Securities deposited against Note Issue): | | | |
| Quoted in Great Britain | 8,315,146 | | |
| Quoted elsewhere than in Great Britain | 6,365,214 | | |
| 13,941,956 | | 14,680,360 | |
| 113,596 | | 117,271 | |
| 14,055,552 | | | 14,797,631 |
| Hongkong Government Certificates of Indebtedness deposited against Note Issue | 105,605 | | |
| Bills Receivable | 15,804,539 | | |
| Loans Receivable, Advances and Other Accounts including Amounts due by Agents | 22,457,970 | | |
| Liability of Customers for Acceptances per contra | 246,225 | | |
| 27,193,991 | | | 38,614,330 |
| 53,623,551 | | | 66,436,227 |
| 55,137 | | | 55,137 |
| Shares in Subsidiary Companies at Cost | 414,655 | | 550,223 |
| Fixed Assets— | | | |
| Freehold Banking Premises and Property at Cost less Accounts Written Off | | | |
| £54,093,343 | | | £67,041,587 |

3. Group Accounts are not prepared as the Directors consider they would be of no real value to members in view of the insignificant amounts involved in the accounts of the Subsidiary Companies.

4. Contracts for outstanding capital expenditure amount to approximately £118,788.

the Year ended 31st December, 1950.

| 1949 | £ | £ |
|-----------------|---|---------|
| 178,172 | Balance brought forward from 31st December, 1949 | 182,677 |
| | Profit for the year ended 31st December, 1950, after providing for Taxation thereon, Directors' Fees £9,000 and after allocations to Contingency Accounts, out of which full provision has been made for Bad and Doubtful Debts | 193,542 |
| 191,805 | | |
| £369,977 | | |
| £376,219 | | |

C. A. INNES,
T. SMITH,
R. W. B. DUNLOP,)
) Directors.

TORS TO THE MEMBERS.

were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Bank have been received from Branches not visited by us. We have examined the above Balance Sheet and Profit and our information and according to the explanations given to use the said accounts give the information required by the Sheet gives a true and fair view of the state of the Bank's affairs as at 31st December, 1950, and the Profit and Inded on that date.

COOPER BROTHERS & CO.,
W. A. BROWNE & CO.,
Chartered Accountants.

(Continued from Page 359)

tions at the Shareholders' Meeting and ways of calculation of share holders' votes shall be specifically stipulated in the Company's articles of incorporation.

Article 19—The responsible person or persons of an enterprise shall be, in the case of a Sole-Proprietorship, the proprietor; in the case of a Partnership or an Unlimited Company, the partner or partners who or the shareholder or shareholders who conduct business; in the case of a Limited Company the shareholder or shareholders conducting business or the director or directors; in the case of a Company Limited by Shares, the director or directors; and in the case of an Unlimited Company with Shareholders of Limited Liability or a Company Limited by Shares with Shareholders of Unlimited Liability, the shareholder or shareholders of unlimited liability conducting business. The managers or factory superintendents employed by an enterprise shall transact business pursuant to the instruction of the responsible person or persons prescribed in the preceding paragraph.

Article 20—The right of supervision of an enterprise shall belong, in the case of a Partnership or an Unlimited Company, the partner or partners who or the shareholder or shareholders who do not conduct business; in the case of a Limited Company, to the shareholder or shareholders not conducting business or the supervisor or supervisors; in the case of an Unlimited Company with Shareholders of Limited Liability, to the shareholder or shareholders of unlimited liability who and the shareholder or shareholders of limited liability who do not conduct business; in the case of a Company Limited by Shares, to the supervisor or supervisors; and in the case of a Company Limited by Shares with Shareholders of Unlimited Liability, to the Shareholder or shareholders of unlimited liability not conducting business and the supervisor or supervisors.

Article 21—The directors, or the shareholders conducting business, may hold meetings jointly with supervisor or supervisors to discuss and solve important business problems of the Company, provided that they shall be severally liable for their respective functions.

Article 22—The directors of a Company Limited by Shares shall be elected at the Shareholders' Meeting by a majority vote of the shareholders present. After being elected to office, a director shall not transfer to others more than a half of shares held by him. The foregoing provision shall apply to the directors, if any, of a Limited Company. The supervisors of a Company Limited by Shares, or the supervisors, if any, of a Limited Company, shall be elected at the Shareholders' Meeting by a majority of the shareholders present. The supervisors of a Company Limited by Shares with Shareholders of Unlimited Liability shall be elected at the Shareholders' Meeting by a majority vote of the shareholders of limited liability present.

Article 23—The responsible person or persons conducting business in an enterprise, or the agents thereof (such as managers or factory superintendents) who act in violation of laws or ordinances, the partnership contract, the articles of incorporation, or Shareholders' Meeting resolutions, thereby causing loss or bankruptcy of the enterprise, or causing loss to third parties, or who fail to report to the Shareholders' Meeting in the event of loss incurred to the enterprise to the extent of one third of the capital thereof (for the purpose of enterprises that have been existing since before the promulgation of these Regulations, the term "capital" herein referred to shall mean its capital adjusted upon re-valuation of its property in compliance with prescriptions promulgated), shall bear all liability of law. The aforesaid responsible person or persons or agents thereof may refuse to enforce, and request for reconsideration of, any provisions of the Partnership contract or the Company's articles

Japan Export Finance Bank

Stimulated by the change in the world economic situation from a buyer's to a seller's market with the outbreak of the Korean war, exports have made remarkable progress, and the export target for the year 1950 was achieved by October. In the light of this situation, the Gray Report pointed out that there is prospect that Japanese economy will be self-sufficient by the middle of 1951, and recommended the suspension of United States aid to Japan. However, a greater endeavour to promote exports is required so that the export value may amount to 1,000 million dollars yearly, which, the government emphasizes, is a prerequisite to the self-support of national economy. The increase in exports has been most pronounced in machinery since the beginning of this year. Particularly, since the outbreak of

the Korean war, orders from overseas have been most active for plants, the export of which has made but slow progress because of the shortage of long-term funds necessary for their production. As a result, the establishment of a long-term export financing institution has been long under consideration. After successive discussion by the government, the Bill for the Japan Export Finance Bank was submitted to the Cabinet on November 24 by the Ministry of Finance. This Bill covers the establishment, capital and business of the Export Bank, the capital of which will total 15 billion yen, made up of 2.5 billion yen from the Supplementary Budget and 2.5 billion yen from the U.S. Aid Counterpart Fund in the fiscal year 1950-51 and 5 billion yen each from the General Budget and the Counterpart Fund in 1951-52.

cles of incorporation or any Shareholders' Meeting resolutions which are in violation of current laws or ordinances.

Article 24—An enterprise shall maintain a healthy accounting system, keep necessary accounting books, statements, records and vouchers (accounts shall be in terms of Jin Min Currency except that accounts in terms of local currency are temporarily allowed in the North-Eastern provinces, Inner Mongolia and Sinkiang) and shall close its accounts, at least once a year.

Article 25—In the case of a Sole-Proprietorship or a Partnership, the allocation of surplus profit shall, unless otherwise provided for by laws or ordinances, be made according to contract or to traditional practice of the trade. In the case of an enterprise organised as a Company, when any surplus profit exists at the closing of account for a business year, deductions therefrom shall be made for the payment of income tax and for cover of previous loss if any, whereafter one-tenth shall first be set aside as reserve fund for the purpose of business expansion and cover of contingent loss. The remainder, if any, thus obtained shall be applied towards the payment of dividends which shall in no case exceed the rate of eight per centum per annum. When no surplus profit has been realised or when a loss had been incurred, the payment of dividends payable may be deferred until the business year in which there is realised surplus profit more than sufficient to cover previous loss or losses. Any remainder after setting aside reserve fund and paying dividends may be allocated as follows:—1. Shareholders' Bonus Dividends and Bonus Remunerations for directors, supervisors, managers, factory superintendents etc., (generally, not less than sixty per centum). 2. Funds for improvement of safety and sanitation equipment, (generally not less than fifteen per centum in the case of an industrial and mining enterprise). 3. Funds for employees' welfare, bonus wages for employees etc. (generally not less than fifteen per centum). 4. Other items, if any. The percentage of the foregoing items shall be determined by the Shareholders' Meeting. The distribution of Items 2 and 3 hereof shall be determined by the Labour-Capital Consultative Conference, or by mutual agreement between the labour and the capital of the enterprise. Allocation of surplus profit shall be made on the principle that it does not adversely affect the ordinary production and the business operation of the enterprise.

Article 26—Any enterprise organised as a Company which requires two or more years' preparation after its incorporation to commence business, may, where no adverse effect, entails on its financial programme, and with the approval of the Central Private Enterprises Bureau, stipulate in its articles of incorporation that dividends

may be allocated to shareholders prior to its commencement of business.

Article 27—The responsible person or persons of an enterprise shall at the end of a business year report to all partners, or the Shareholders' Meeting, as the case may be, the business conditions of the current year, and submit thereto for approval records of accounts, a proposal for allocation of surplus profit if any, and a business programme for the ensuing year.

Article 28—An enterprise organised as a Company shall not make investment in another enterprise as a shareholder of unlimited liability. Where it becomes a shareholder of limited liability in other enterprises and the amount of such investments exceeds one third of its own capital (for the purpose of enterprises that have been existing since before the promulgation of these Regulations, the term "capital" herein referred to shall mean its capital adjusted upon re-valuation of its property in compliance with prescriptions promulgated), report shall be made to the Central Private Enterprises Bureau for approval.

Article 29—When a Company needs financing to expand and enhance production, it may, upon approval by the Central Private Enterprises Bureau with the concurrence of other Authority or Authorities Concerned, issue corporate bonds. The fund realised by the issuance of corporate bonds shall, unless duly approved, not be appropriated otherwise than for its prescribed purpose. Corporate bonds may be transferrable, and their solicitation may be entrusted or underwritten by banking institutions or by investment companies. The provisions of Article 10 herein shall apply, mutatis mutandis, to a purchaser of corporate bonds who needs to surrender gold or foreign exchange for payment thereof.

Article 30—Withdrawal of partners or shareholders, dissolution, liquidation and other matters in connection with an enterprise, not provided for by laws or ordinances, may, insofar as they are not in violation of government policy, be effected according to traditional practice or by mutual agreement between or amongst the parties concerned. A shareholder of unlimited liability who bears unlimited joint liability shall be liable only when the property of the enterprise is insufficient to satisfy its obligations.

CHAPTER IV. ADDENDUM

Article 31—The Operational Rules of these Regulations shall be made by the Finance and Economy Committee of the Administrative Yuan.

Article 32—These Regulations and any revision or revisions hereof shall come into force upon promulgation after their adoption at the Administrative Council Meeting of the Administrative Yuan of the Central People's Government of China.

Trade arrangement between Japan and sterling area

Despite the early start (on June 7) of negotiations on a new trade arrangement between Japan and certain countries in the sterling area in view of the delay in the conclusion of the previous arrangement, the agreement was signed at last on November 29. The new arrangement, covering the period from July 1, 1950 to June 30, 1951, provides for trade valued at 92,600,000 pounds sterling (equivalent to about 520 million dollars) in each direction. Countries of the sterling area participating are Australia, Ceylon, India, New Zealand, South Africa, the United Kingdom and British colonies (excluding Hongkong). The larger part of the commodities which Japan will export are textile manufactures, in which cotton products rank first. Other principal export commodities are steel and steel manufactures, non-ferrous metals, machinery, and agricultural and aquatic products. The principal commodities which Japan will import are foodstuffs, such as rice and wheat, textile materials such as cotton and wool, iron ore, coal, bauxite, rubber, crude oil and oil seeds.

The following are the main provisions of the new trade arrangement: (1) The value of the goods to be traded is double that of the previous arrangement. (2) The trade plan does not cover trade between Japan and those countries which are parties to the over-all payments arrangement but are not parties to the trade arrangement (Burma and Pakistan). (3) Japan will be able to purchase with sterling accruing from her sales under the arrangement a stipulated amount of goods (valued at 3 million pounds) from these countries. By this measure, imports of rice, wheat, cotton etc. from these countries will be promoted. (4) The working capital is increased by 5 million pounds sterling, which will mitigate the anticipated difficulty in imports caused by the shortage of sterling.

According to statistics compiled by the Bank of Japan, exports to the sterling area from the beginning of 1951 through October amounted to 169,800,000 dollars and imports from the area 153,220,000 dollars, the export excess being 16,580,000 dollars. If this favourable trend goes on unchanged, the trade value stipulated in the arrangement will be achieved with ease. The change in the world economic situation however, darkened the outlook for imports. The development of exports also can not be considered as favourable, because Japanese export trade must rely on the supply of raw materials essential to produce export commodities, which are mainly imported. As a result, the achievement of the stipulated trade value is regarded as somewhat difficult.

Ban on exports to Communist China

With the intervention of Chinese Communist military forces in the Korean conflict, it was inevitable that trade with Communist China would be put under a general ban, which is casting a shadow over the prospects of Japanese exports and, to a larger degree, on import, offsetting the favourable anticipations which were envisaged from the aforementioned development of trade policy. Exports of all commodities, excluding textiles and miscellaneous goods, to the Chinese mainland, Manchuria, North Korea and Hongkong were banned under the Export Trade Control Ordinance revised on December 6. This ban is applied also to those exports for which licenses have already been granted and will be extended in case the international situation does not take a favourable turn.

Exports to Red China in 1949 amounted to 10,500,000 dollars and imports from there 21,500,000 dollars. From the beginning of 1950 through October, they registered advances to 14,160,000 dollars and to 26,730,000 dollars respectively. Particularly since the outbreak of the Korean hostilities, a rapid increase in exports and a decline in imports have been registered, the same

development having been witnessed since the commencement of the war in Korea in the trade with Hongkong, which may well be regarded as indirect trade with Red China. During the period from the beginning of 1950 to October, exports to Hongkong totalled 80,540,000 dollars and imports 18,900,000 dollars. These figures combined indicate that exports to Red China, direct or indirect, amounted to 44,760,000 dollars and imports 45,690,000 dollars. The principal export commodities were iron and steel and machinery; goods imported were iron ore and coking coal.

Retaliatory action taken by Red China for this embargo was a matter of concern for Japan at the time the export ban was imposed, because the national economy is based on the importation of raw materials and the export of products thereof. In particular, the iron and steel industry relies for the supply of coking coal upon imports from Red China. The Import target for Kailan coal for 1950 was fixed at 1,050,000 tons, of which only 200,000 tons has already been imported. Therefore, the Chinese ban on exports to Japan in retaliation for the Japanese embargo will strike blow at the iron and steel industry. As a countermeasure to cope with this situation, an increase in imports from the United States and in trade with the sterling area are under consideration. Due to the worldwide rearmament activities, however, which dim the outlook for imports, it is feared that the production of iron and steel will dwindle.

Actual trade in October

Exports in October were valued at 31,633 million yen and imports 26,979 million yen. Compared with the previous month, exports advanced by 5,008 million yen and imports by 10,102 million yen. The export excess was 5,654 million yen in October as against 10,753 million yen in the previous month. The principal export commodities were textile manufactures, machinery, iron and steel, foodstuffs and non-ferrous metals. Compared with the previous month, machinery, foodstuffs, iron and steel and miscellaneous goods increased. Above all machinery and iron and steel, which had continued to advance steadily since the outbreak of the Korean hostilities, showed increase in October, the former trebling and the latter increasing by 880 million yen compared with the previous month. They ac-

counted for the major part of the increase in the total export value. Textile manufactures, which had continued to increase since the outbreak of the Korean war through September, declined in October due to the stagnation in export of cotton tissues, silk tissue and raw silk to the sterling area.

Among the import commodities, textile materials ranked first, followed by foodstuffs, rubber, metallic mineral, coal and mineral oil. Compared with the preceding month, all commodities, exclusive of chemical fertilizer, registered an increase, being most pronounced in textile manufactures and foodstuffs. The increase in imports of industrial materials such as rubber, metallic mineral and salt, etc., was attributable to the adoption of a trade policy favouring imports.

EXPORT (in million yen)

| | June | July | Aug. | Sept. | Oct. |
|-------------------------------------|--------|--------|--------|--------|--------|
| Foods and drinks | 1,715 | 9,221 | 2,632 | 1,725 | 2,409 |
| Textile and Textile manufactures .. | 10,796 | 9,806 | 12,805 | 13,641 | 13,232 |
| Lumber | 450 | 442 | 490 | 566 | 669 |
| Chemicals | 280 | 308 | 462 | 588 | 697 |
| Pottery | 647 | 566 | 717 | 812 | 697 |
| Iron and steel | 1,930 | 1,957 | 2,214 | 2,231 | 3,111 |
| Non-ferrous metals | 2,523 | 2,081 | 1,854 | 2,050 | 1,660 |
| Machinery | 2,314 | 1,557 | 1,560 | 1,634 | 5,168 |
| Miscellaneous | 1,801 | 1,240 | 1,227 | 1,448 | 1,642 |
| Total (including others) | 23,693 | 21,795 | 25,498 | 26,630 | 31,633 |

IMPORT (in million yen)

| | June | July | Aug. | Sept. | Oct. |
|--------------------------------|--------|--------|--------|--------|--------|
| Foodstuffs | 9,964 | 7,000 | 8,629 | 4,456 | 6,202 |
| Textile materials | 9,016 | 5,647 | 8,744 | 5,281 | 11,588 |
| Rubber and resin | 663 | 1,840 | 1,247 | 976 | 8,121 |
| Mineral oil | 530 | 968 | 1,062 | 604 | 588 |
| Phosphate rock | 838 | 286 | 886 | 281 | 289 |
| Chemical fertilizer | 879 | 1,230 | 407 | 890 | 87 |
| Coal | 206 | 414 | 328 | 480 | 608 |
| Salt | 15 | 38 | 0 | 107 | 285 |
| Metallic mineral | 352 | 258 | 400 | 547 | 647 |
| Total (including others) | 25,094 | 19,348 | 18,053 | 15,877 | 25,979 |

HONGKONG STOCKS & SHARES

| Stock | Authorised Capital (No. of Shares) | Issued Capital (No. of Shares) | Value | Paid Up | Reserves |
|---|---------------------------------------|--|--------------|---------|---|
| H.K. Government 4% Loan Do. 3½% " (1934) | Issued Balance | \$4,838,000 Interest @ 4% p.a., payable half-yearly \$5,040,000 do. 3½% p.a., do. | | | 1 Feb. 15 Jan. |
| Do. 3½% " (1940) | do. | \$7,074,000 do. 3½% p.a., do. | | | |
| Do. 3½% " (1948) | Issued | \$50,000,000 do. 3½% p.a., do. | | | |
| Banks | | | | | |
| H.K. & Shanghai Banking Corp. " London Register | 160,000 | All | \$125 | All | (g) £6,000,000 |
| Chartered Bank of I. A. & C. | 600,000 | All | £ 5 | All | £4,000,000 |
| Mercantile Bank of India Ltd. (A. & B. A & B 60,000) (C. C 300,000) | All 60,000 | £ 25 £ 5 | £12/10/- All | (a) | £300,000 £900,000 |
| Bank of East Asia, Ltd. | 500,000 | 100,000 | \$100 | All | \$5,000,000 |
| Insurances | | | | | |
| China Underwriters, Ltd. Fdrs. | 500,000 15 | 256,000 15 | \$10 \$1,000 | \$7 All | (x) 2,421,404 (ll) 103,957 (mm) 74,512 (nn) 150,421 (f) 131,111 |
| Hongkong Fire Insurance Co., Ltd. ... | 200,000 | 40,000 | \$50 | All | (k) 2,000,000 (f) 1,200,000 (i) 1,528,003 (j) 600,000 (l) 692,325 (b) 59,798 (nn) 8,018,730 (ll) 996,432 (mm) 373,534 |
| Union Insce. Socy. of Canton, Ltd. | 200,000 | 135,000 | £10 | All | |
| Hongkong, Canton and Macao Steamboat Co., Ltd. | 80,000 | All | \$15 | All | (c) 1,000,000 (n) 144,874 (f) 480,556 (q) 1,537,444 (k) 102,494 (hh) 884,939 |
| Indo-China Steam Navigation Co., Ltd. (Pref. £1 shares (Def. £1 shares | 600,000 600,000 | 247,945 247,945 | £ 1 £ 1) | All | (g) £500,000 (n) 428,550 (a) 166,015 |
| Shell Transports (Bearer) | — | — | — | — | — |
| Union Waterboat Co., Ltd. | 71,430 | All | \$7 | All | (i) 65,000 149,907 |
| Eastern Asia Navigation Co., Ltd. | 10,000,000 | 3,000,007 | \$1½ | All | 1,000,000 |
| Docks, Wharves & Godowns | | | | | |
| Hongkong & Kowloon Wharf & Godown Co., Ltd. | 1,000,000 | 180,000 | \$50 | All | 4,500,000 |

CAPITAL, DIVIDEND, QUOTATIONS

| Carried Forward | Date of Balance Sheet | Last Dividend | When Paid or Payable | Highest 1951 | | | |
|---|-----------------------------|---|---------------------------------|-----------------|---------|------------------|----------|
| | | | | January High | Low | February High | Low |
| & 1 Aug.—Issued 1933.—Redeemable 1953. (Sinking Fund 31-12-50 \$3,956,137.40) | | | | — | | \$98 | \$98 |
| & 15 July—Issued 1934.—Redeemable yearly by drawing (1/25th part) final re- demption 1959. | | | | — | | \$95 1/2 | \$95 1/2 |
| do. Issued 1940.— do. | | | 1965. | — | | \$95 1/2 | \$95 1/2 |
| do. Issued 1948.—Redeemable 1973/1978 (Sinking Fund 31-12-50 \$5,770,- 816.60) | | | | \$99 | 97 1/2 | \$96 1/2 | \$96 |
| \$6,699,224 | 31-12-50 | Int. Divd. 1950 £2 @ 1/2% Free of Tax | Aug. 14, 1950 | \$1260 | \$1180 | \$1325 | \$1250 |
| £365,836 | 31-12-50 | Final Divd. 1950 £3 @ 1/2% Free of Tax | Mar. 10, 1951 | £75 1/4 | £75 1/4 | — | — |
| £182,677 | 31-12-49 | Int. 1950 6% Less Tax Final 1950 6% -do- | Sept. 29, 1950 April 4, 1951 | — | — | — | — |
| 982,392 | 31-12-50 | Int. 1950 6% Less Tax Final 1950 6% Less Tax | Sept. 26, 1950 Pending | — | — | — | — |
| 452,277 | 31-12-49 | \$8.50 Free of Tax, Divd & Bonus for 1950. | Feb. 1, 1951 | \$110 | \$107 | \$102 | \$102 |
| £316,048 | 31-12-49 | \$15 for 1949 Free of Tax | May 17, 1950 | — | \$260 | \$240 | |
| 9,249 | 31-12-49 | — | — | \$2.80 | \$2.80 | \$3.10 | \$3 |
| 45,618 | 31-12-49 | \$11 Free of Tax of 1949 | Mar. 30, 1950 | \$125 | \$125 | \$145 | \$145 |
| 233,103 | 31-12-49 | \$5 Free of Tax for 1949 | June 28, 1950 | — | — | — | — |
| Dr. 242,519 | 31-12-48 | \$1 for 1938 | April 28, 1939 | \$15 | \$15 | — | — |
| £37,217 | 31-12-49 | 6% 1949 on Pref. shares, less tax 10% divd. & 10% Bonus for 1949 on Def. shares, less tax | June 21, 1950 | — | 67/- | 67/- | |
| 1,567 | 31-12-49 | Divd. \$2.50, Free of Tax for 1950 | Mar. 28, 1951 | \$18 | \$18 | — | — |
| 48,035 | 31-12-48 | Divd 5 cts Free of Tax for 1949 | Dec. 15, 1950 | \$0.675 | \$0.675 | \$0.75 | \$0.70 |
| 446,921 | 31-12-49 | \$12 Free of Tax for 1950 | Pending | \$82 | \$71 | \$81 | \$72 1/2 |

| Stock | Authorised Capital (No. of Shares) | Issued Capital (No. of Shares) | Value | Paid Up | Reserves |
|---|------------------------------------|--------------------------------|---------|----------------|---|
| North Point Wharves, Ltd. | 2,500,000 | 704,500 | \$10 | All | — |
| | | | | | 320,000 |
| Shanghai Hongkew Wharf Co., Ltd. .. | 640,000 | 480,000 | \$50 | All | (b) 2,251,820 (e) 500,000 |
| | | | | | 8,336,419 |
| Hongkong & Whampoa Dock Co., Ltd. | 1,000,000 | All | \$10 | All | (a) 5,235,530 (v) 2,500,000 |
| | | | | | 67,429 |
| China Provident Loan and Mortgage Co., Ltd. | 2,000,000 | 542,213 | \$5 | All | (a) 900,000 (c) 258,058 (t) 120,000 (u) 452,879 (w) 5,218,884 |
| | | | | | 2,604,862 |
| Shanghai Dockyard, Ltd. | 2,000,000 | 1,125,000 | \$7 | All | (d) 500,000 (s) 4,956,043 (h) 492,448 |
| | | | | | 8,000,000 |
| Mining | | | | | |
| Raub Australian Gold Mining Co., Ltd. | 800,000 | All | 5/- | All | — |
| | | | | | 2,000,000 |
| Lands, Hotels & Buildings | | | | | |
| Hongkong & Shanghai Hotels, Ltd. ... | 1,500,000 | 1,193,867 | \$7 1/2 | All | (w) 745,680 (d) 1,500,000 (h) 56,749 (r) 500,000 |
| | | | | | 3,000,000 |
| Hongkong Land Investment and Agency Co., Ltd. | 2,000,000 | 400,000 | \$25 | All | (a) 4,600,000 (b) 5,165,000 |
| | | | | | 8,250,000 |
| Shanghai Land Investment Co., Ltd. .. | 2,386,800 | All | \$5 | All | 1,000,000 |
| Humphreys Estate & Finance Co., Ltd. | 1,000,000 | 300,000 | \$10 | All | 1,500,000 |
| | | | | | 95,000 |
| Hongkong Realty & Trust Co., Ltd. .. | 5,000,000 | 2,000,000 | \$1 | All | (p) 916,561 (ii) 18,000 |
| Chinese Estates, Ltd. | 30,000 | 16,500 | \$100 | All | — |
| | | | | | 2,800,000 |
| Public Utilities | | | | | |
| Hongkong Tramways, | 4,000,000 | 1,950,000 | \$5 | All | (k) 800,000 (qq) 550,000 |
| Peak Tramways, Ltd. (O) (N) | 25,000 { 50,000 { | All | \$10 | All \$5) (oo) | 1,000,000 2,250,000 211,270 |
| | | | | | 1,000,000 |
| Star Ferry Co., Ltd. | 2,000,000 | 80,000 | \$10 | All | (a) 2,000,000 (c) 44,579 |
| | | | | | 1,327,504 |
| China Light & Power Co., Ltd. (F. Pd.) (P. Pd.) (Bonus) | 20,000,000 | 7,200,000) 2,000,000) | \$5 | All \$3 | (i) 1,588,576 (k) 44,579 |
| | | | | | 3,400,000 |
| Hongkong Electric Co., Ltd. | 5,000,000 | 2,100,000 | \$10 | All | (oo) 2,000,000 |
| Macao Electric Lighting Co., Ltd. . (O) (N) Bonus | 200,000 | 150,000 | \$10 | All | (w) 506,755 (oo) 400,000 |
| | | | | | 12,648 |
| Sandakan Light & Power Co., Ltd. | 50,000 | All | \$5 | All | (d) 148,828 (h) 21,818 |

| Carried Forward | Date of Balance Sheet | Last Dividend | When Paid or Payable | Highest 1951 | | | |
|--------------------|-----------------------------|---|---------------------------------|-----------------|----------------|--------------------|--------------------|
| | | | | January High | January Low | February High | February Low |
| 514,555 | 31-3-50 | — | — | \$4 1/2 | \$4 1/2 | \$5.40 | \$4 1/2 |
| Dr. 1,349,112 | 31-12-49 | Int. Divd. Gold Yuan \$0.50 for 1948 Final Divd. \$2. for 1948 | Nov. 15, 1948 May 20, 1949 | — | — | — | — |
| 2,178,617 | 31-12-49 | \$2.25 less tax for 1949 | July 7, 1950 | \$12 1/4 | \$12 1/4 | \$13 | \$12 |
| 656,832 | 31-12-49 | Divd. \$1 Bonus 70 cts) Tax free for 1950 | Pending | \$10 3/4 | \$9 1/2 | \$11 | \$10 |
| 224,109 | 30-9-50 | Divd. 70 cts for 1948. | Mar. 11, 1949 | \$3.20 | \$3 | \$3 | \$2.85 |
| 529,697 | 31-3-50 | Divd. \$2 Free of Tax, year 31-3-50. | Dec. 19, 1950 | \$19 | \$17 1/4 | \$21 1/2 | \$20 |
| 393,453 | 31-12-50 | Divd. 75 cts for 1950) Free of Tax Bonus 25 cts for 1950) | Mar. 15, 1951 | \$6 3/4 | \$6.35 | \$7 | \$6.60 |
| 22,652 | 31-12-50 | \$4 less Tax for 1950 | April 2, 1951 | \$35 1/2 | \$30 | \$38 1/2 | \$35 |
| Dr. 236,323 | 31-12-47 | — | — | 1.20 | \$1 | \$1.50 | \$1.35 |
| 65,332 | 31-12-50 | Divd. \$1.20, less Tax for 1950 | Mar. 15, 1951 | — | \$7 1/2 | — | \$7 |
| 175,100 | 30-4-50 | Divd. 10 cts. Free of Tax for year ended 30-4-50 | Nov. 15, 1950 | — | — | — | — |
| 487,554 | 31-12-50 | Int. divd. \$5 Free of Tax for 1950 Final \$10 —do— | Aug. 7, 1950 Feb. 2, 1951 | — | — | — | — |
| 88,296 | — | Int. Divd. 60 cts. less Tax) 1950 Final „ \$1.40 „) | Sept. 21, 1950 Mar. 21, 1951 | \$12 | \$10 | \$12 3/4 | \$11 1/2 |
| 11,387 | 31-3-50 | \$8 for (old))Free of tax for year \$1.50 for (new)) 31.3.50 | May 24, 1950 | — | — | — | — |
| 416,961 | 31-12-49 | \$9 Free of Tax for 1949 | Mar. 17, 1950 | \$70 | \$68 | \$70 | \$67 |
| 259,437 | 30-9-50 | Int. 40 cts, year 30-9-50 Tax Free Pro rata, partly paid Shares Final \$1. year 30-9-50, Tax Free Pro rata, partly paid Shares | June 14, 1950 Mar. 9, 1951 | \$6.35 \$25 | \$5.70 \$20 | \$6.40 \$26 1/2 | \$5.95 \$22 1/4 |
| 626,098 | 31-12-50 | Int. \$1, Free Tax) 1950 Final \$2 do.) | Sept. 15, 1950 Mar. 9, 1951 | \$25 | \$20 | \$26 1/2 | \$22 1/4 |
| 17,527 | 30-11-49 | \$2 for year 30-11-1949. | Apr. 28, 1950 | \$9 | \$9 | — | — |
| 59,106 | 30-6-50 | Int. divd. 40 cts. a/c year 30-6-41 | June 8, 1941 | — | — | — | — |

| Stock | Authorised Capital (No. of Shares) | Issued Capital (No. of Shares) | Value | Paid Up | Reserves |
|---|---------------------------------------|-----------------------------------|-------|------------|--|
| Hongkong Telephone Co. Ltd. (O) (N) | 1,900,000 | 1,500,000 | \$10 | All | (w) 870,303 |
| Shanghai Gas Co., Ltd. | 700,000 | All | \$15 | All | (w) 1,665,985 (d) 585,997 (oo) 613,892 |
| Industrials | | | | | |
| Green Island Cement Co., Ltd. | 1,000,000 | 600,000 | \$10 | All | (r) 500,000 (ee) 300,000 (i) 250,000 |
| Hongkong Rope Manufacturing Co., Ltd. | 200,000 | All | \$10 | All | (oo) 450,000 (b) 100,000 |
| Stores, Etc. | | | | | |
| Dairy Farm, Ice & Cold Storage Co., Ltd. (O) (N) | 4,000,000 | 1,486,676 | \$7½ | All | (y) 250,000 (z) 160,291 (pp) 500,000 |
| A. S. Watson & Co., Ltd. | 600,000 | 450,000 | \$10 | All | 2,250,000 |
| Lane, Crawford, Ltd. | 250,000 | 149,900 | \$10 | All | 1,250,000 |
| Sincere Co., Ltd. | 1,000,000 | All | \$10 | All | |
| China Emporium, Ltd. | 499,988 (ord.) 12 (Fdrs.) | 200,544 (ord.) 12 (Fdrs.) | \$10 | All | 400,000 |
| Sun Co., Ltd. | 1,000,000 | 800,000 | \$10 | All | (v) 600,000 120,000 |
| Kwong Sang Hong, Ltd. | 24,000 | All | \$75 | All | (b) 1,200,000 (i) 200,000 269,516 |
| Wing On Co., Ltd. | 80,000 | All | \$100 | All | (h) 700,000 19,271 |
| William Powell, Ltd. | 50,000 | 42,000 | \$2 | All | 100,000 |
| Miscellaneous | | | | | |
| China Entertainment & Land Investment Co., Ltd. | 499,980 (ord.) 20 (Fdrs.) | 199,697 (ord.) 19 (Fdrs.) | \$10 | All | 230,000 |
| H.K. Engineering & Construction Co., Ltd. (O) (N) | 2,500,000 | 500,000 500,000 | \$2 | All \$1 | (pp) 400,000 |
| Vibro Piling Co., Ltd. | 100,000 | 80,750 | \$3 | All | (pp) 200,000 |
| Shanghai Loan & Investment Co., Ltd. | 700,000 | 524,992 | \$2 | All | (e) 100,000 225,000 |
| Yangtsze Finance Co., Ltd. | 2,000,000 | 1,032,770 | \$5 | All | (e) 1,000,000 |
| Cotton Mills | | | | | |
| Ewo Cotton Mills, Ltd. | 2,040,000 | 1,723,500 | \$5 | All | (w) 500,000 8,006,000 |

a Premium on Shares.

b Building Reserve Accounts.

c Investment Fluctuation Account.

d Depreciation Fund.

e Equalization of Dividend Fund.

f Exchange & Investment Fluctuation Account.

g Sterling Reserve Fund.

h Exchange Fluctuation Account.

i Insurance Fund.

j Reinsurance Fund.

k Contingency Reserves.

l Special Repair Fund.

m Estimated Outstanding Claims.

n Underwriting Account.

o Raw Material Reserve.

p Property Amortisation Reserve.

q Provision for Ships Replacement.

r Repairs and Renewals Account.

s Conversion Account.

t Typhoon Insurance Fund.

u Underwriting Suspense Account.

v Special Reserve Fund.

| Carried Forward | Date of Balance Sheet | Last Dividend | When Paid or Payable | Highest 1951 | | | |
|-----------------|-----------------------|--|--------------------------------|-------------------|---------------|---------------------------|---------------------|
| | | | | January High | January Low | February High | February Low |
| 1,348,122 | 31-12-49 | Divd. \$1.20, Free of Tax for 1949. | May 31, 1950 | \$9 3/4 \$9.10 | — | \$9 \$8 1/4 \$9 1/2 | \$10 1/4 \$9 1/2 |
| — | 31-12-48 | — | — | — | — | — | — |
| 386,648 | 31-12-50 | Divd. \$2 Free of Tax for 1950. | Mar. 14, 1951 | \$12.30 | \$10 1/4 — | \$13 | \$11 1/2 |
| 117,052 | 31-12-49 | Divd. \$1) 1950, Free of Tax Bonus \$2) | Mar. 16, 1951 | \$12 1/2 | \$11 1/2 — | \$14 1/2 | \$13 |
| 151,462 | 31-12-49 | Divd. \$2.50 per share (old)) \$1.25 per share (new)) for 1950 | April 19, 1951 | \$12 1/4 \$11 | \$10 \$9 | \$13 1/4 \$12 | \$12 \$11 |
| 182,486 | 31-12-50 | \$3 per share, Free of Tax, for year 31-12-1950 | Mar. 21, 1951 | \$20 1/4 | \$19 1/4 — | \$22 | \$20 |
| 435,923 | 28-2-50 | Final Divd. \$2) Yr. 28-2-50 Bonus \$1.50) Tax Free Int. Divd. \$1) Yr. 28-2-51 Bonus 50 cts.) Tax Free | June 30, 1950 Dec. 15, 1950 | \$20 | — | — | — |
| 98,005 | 31-12-49 | 40 cts. Free of Tax, 1948 | Oct. 15, 1949 | — | — | \$3 | \$3 |
| 205,980 | 31-12-49 | Divd. 80 cts. Bonus 20 cts. tax Free, 1949 | Mar. 18, 1950 | \$9 | — | \$9 | — |
| 80,255 | 31-12-49 | Divd. 30 cts. Free of Tax, 1949. | Dec. 23, 1950 | — | — | \$1.90 | \$1.85 |
| 260,409 | 31-12-50 | Int. Divd. \$6 Less Tax) 1950 Final Divd. \$10 Less Tax) | Sept. 1, 1950 Feb. 28, 1951 | — | — | — | — |
| 109,661 | 31-12-49 | Divd. \$6 for 1949, Free of Tax | July 15, 1950 | — | — | — | — |
| 15,979 | 29-2-50 | Divd. \$1 Free of Tax, year 28-2-50 | May 30, 1950 | — | — | — | — |
| 48,599 | 31-12-49 | Divd. 50 cts Bonus \$1.50) (ordy shares less Tax) 1949 Bonus \$2,386.30 (Fdrs.) shares less Tax) | Mar. 31, 1950 | \$13 | \$12 1/2 — | — | — |
| 115,566 | 31-12-49 | 40 cts. (old) 1 1/4 cts. (new) for 1951 | April 5, 1952 | — | — | — | — |
| 418,818 | 31-12-50 | Divd. \$1.25 for 1950, Free of Tax | Mar. 10, 1951 | — | — | \$9 1/2 | \$9 1/2 |
| 74,608 | 31-12-48 | Divd. 20 cts. for 1948 | July 20, 1949 July 14, 1949 | — | — | \$0.60 | \$0.60 |
| 237,139 | 31-3-49 | Divd. 6% free of Tax, year 31-3-50 | Dec. 12, 1950 | \$2 | \$2 | \$2 | \$1.90 |
| 1,715,240 | 31-12-49 | H.K. 40 cts. for 1948 | Dec. 31, 1949 | \$2 1/2 | \$2.20 | \$2.70 | \$2.40 |

w Capital Reserve Fund.

x Life Assce. Fund.

y Cattle Reserve Fund.

z Cattle Wastage Account.

aa Leave Pay & Passages.

bh Estimated Surplus Less War Losses.

cc Provision for Rehabilitation.

dd Taxation Reserve.

ee War Losses Account.

ff Claims & Taxation.

gg Pension and Leave A/C.

hh Steamers' Repair Reserve.

ii Bad Debts Reserve.

jj Assets Revaluation Reserve.

kk Outstg. Life Claims Reserve.

ll Fire Insce. Fund.

mm Accident --do--

nn Marine --do--

oo Replacements Reserve.

pp Plant & Machinery Reserve.

qq Development & Obsolescence Reserve.

HONGKONG STOCK & SHARE MARKET

The market appears to be in a hesitant mood with little fluctuation in prices.

Business reported during the week \$1,498,820.

Business reported for February, 1950, \$5,326,894.

Business reported (11th week) 1950, \$828,657.

Last week's closing quotations:—

H.K. GOVT. LOANS

| | |
|---------------------|-----|
| 4% Loan | 98 |
| 3½% " (1934 & 1940) | 96½ |
| 3½% " (1948) | 96½ |

BANKS

| | |
|----------------------|---------|
| H.K. & S. Bank | 1800 |
| (Lon. Reg.) | £83½ |
| Chartered Bank | £10 3/8 |
| Mercantile Bk. A. B. | £22 5/8 |

Bank of East Asia 102

INSURANCES

| | |
|--------------------|------|
| Canton Ins. | 255 |
| Union Ins. | 685 |
| China Underwriters | 8.20 |
| H.K. Fire Ins. | 145 |

SHIPPING

| | |
|----------------------|------|
| Douglas | 150 |
| H.K. & M. Steamboats | 15 |
| Indochinas (Pref.) | 12 |
| (Def.) | 55 |
| Shells (Bearer) | 86/8 |
| U. Waterboats | 15½ |
| Asia Nav. | .70 |

DUCKS, WHARVES, GODOWNS, Etc.

| | |
|---------------------|-------|
| H.K. & K. Wharves | 80 |
| North Point Wharves | 5 |
| Sh. Hongkew Wharves | 5½ |
| H.K. Docks | 13 |
| China Providents | 11.90 |
| Shanghai Dockyards | 2½ |
| Wheelsocks | 20½ |

MINING

| | |
|------------|------|
| Raub Mines | 4.70 |
| H.K. Mines | .00½ |

LANDS, HOTELS & BLDGS.

| | |
|-----------------|------|
| H. & S. Hotels | 5.30 |
| H.K. Lands | 37 |
| Shanghai Lands | 1.45 |
| Humphreys | 7½ |
| H.K. Realties | 1.90 |
| Chinese Estates | 109 |

PUBLIC UTILITIES

| | |
|--------------------------|-------|
| H.K. Tramways | 11½ |
| Peak Trams (Old) | 22 |
| (New) | 11 |
| Star Ferries | 70 |
| China Lights (Fully Pd.) | 6 |
| (Partly Pd.) | 8.70 |
| (Bonus Sh.) | 5.60 |
| H.K. Electrics | 22½ |
| Macao Electrics | 8½ |
| (New) | 8½ |
| Bonus Sh. | 8 |
| Sandakan Lights | 8½ |
| Telephones (Old) | 10.20 |
| (New) | 9½ |
| Shanghai Gas | 1½ |

INDUSTRIALS

| | |
|--------------------|-----|
| Cald. Macg. (Ord.) | 22½ |
| Cements | 10 |
| H.K. Ropes | 12½ |

STORES &c.

| | |
|-------------------|-----|
| Dairy Farms (Old) | 12% |
| (New) | 12 |
| Watson | 15 |
| Crawfords | 22 |
| Sincere | 3 |
| China Emporium | 9 |

| | |
|-----------------|-------|
| Sun Co. Ltd. | ..... |
| Kwong Sang Hong | ..... |
| Wing On (H.K.) | ..... |

| | |
|------------------|-------|
| Wm. Powell, Ltd. | |
|------------------|-------|

MISCELLANEOUS

| | |
|------------------------|-----------|
| China Entertainments | ..... |
| H.K. Constructions (O) | (N) |
| " | |
| Vibro Piling | ..... |
| Marsman, Investments | ..... |
| Marsman, (H.K.) | ..... |
| Shanghai Loan | ..... |
| Shanghai Explor. | ..... |
| Yangtzes | ..... |

2½

3½

5

12½

2½

1.30

8½

9/

.75

.80

.15

2.05

2½

19

.80

.45

.70

8.40

.80

.70

3.90

.85

.20

2½

.30

.60

.85

.35

3.80

.95

12/

.15

1½

12

.80

5

.10

1½

30

1.40

.80

1.20

COTTONS

| | |
|------|-------|
| Ewos | |
|------|-------|

RUBBER COMPANIES

| | |
|----------------------|-------|
| Alma Estates | ..... |
| Anglo-Dutch | ..... |
| Anglo-Javas | ..... |
| Batu Anams | ..... |
| Bute Plantations | ..... |
| Chemor United | ..... |
| Chewi Rubbers | ..... |
| Consolidated Rubbers | ..... |
| Dominion Rubbers | ..... |
| Java-Consolidated | ..... |
| Kota Bahro | ..... |
| Kroewek Javas | ..... |
| Langkats | ..... |
| Padang Rubbers | ..... |
| Repar Rubbers | ..... |
| Rubber Trusts | ..... |
| Samagaga Rubbers | ..... |
| Samambu Rubbers | ..... |
| Shanghai Kedahs | ..... |
| Shanghai Kelantans | ..... |
| Shanghai-Malaya | ..... |
| Shanghai Pahang | ..... |
| Shanghai Sumatras | ..... |
| Sua Manggi | ..... |
| Sungala | ..... |
| Sungei Duris | ..... |
| Tanah Merahs | ..... |
| Tebong Rubbers | ..... |
| Ziangebe Rubbers | ..... |

SINGAPORE SHARE MARKET

The Singapore Share Market opened last week strongly in all sections with buyers predominating, and sellers reserved. The attack of the United States Senate Preparedness Sub-Committee on the price of tin however, and subsequent references to the price of rubber brought forward a wave of sellers of the shares, and although rubber shares made a gallant effort to stem the tide, they were also affected. Industrial shares eased a little in sympathy. At the close, there was a slight general recovery with some buyers appearing at the lower levels.

All Malaysians realise and accept that while the economy of this country is dependent on primary products there must be from the national angle times of financial hardship and also times of plenty, but it seems disgraceful that Malaya should be accused of holding up supplies of essentials in time of emergency to bring about the latter condition. It is regrettable that the present champions of generosity and freedom before committing themselves could not refer to their nationals on the spot for information or send Sub-Committee members to study local conditions preferably with some of the members staying on estates or mines. It has also been pointed out by Mr. D. A. Mackay of Eastern Smelting Co. Ltd., that if the price of tin is compared with the level of America's own metals on a pre-war basis, the price level of tin is not higher, but probably even lower. Possibly the U.S.A. have been led astray by the unrealistic price at which they were given rubber in the

recent years. If it is essential that certain quarters of the world should not be supplied with our products, while always remembering the old saw "If goods don't cross frontiers....", so be it—but let us have free markets within the areas to which we are confined and give just rewards for effort and risks. However, taking all things into account it seems certain that Malaya's staples must remain for some considerable time at pleasantly remunerative levels unless there is mistaken interference with the existing machinery.

A Malayan Company Chairman's statement said "..... it would be imprudent to ignore the uncertainties and anxieties which beset all industrial enterprises in a country where law and order do not prevail and where uncertainty as to the motives and intentions of the British Government and the Governments in Malaya is causing an increasing lack of confidence."

Industrial shares had a steady turnover without any great variation in prices. Straits Traders probably reflected most the market tendency being taken from \$16.25 to \$17.50, and closing at \$16.50. The Singapore Traction Co. Ltd., declared a further 2 years arrears of dividend on the Cum Preference shares payable on 13th March, leaving dividends still due to be paid on these shares from 1st October, 1946. Sterling tins were marked down by London. Dollar Tin followed the general inclination and Petalings went from \$6.70 to \$6.05 to \$5.00 to \$5.25. Australian tins. Comparatively there was not a great deal of business written in this section. Larut Tinfields were representative going from 14/- to 15/8 to 12/9. After very strong buying interest early in the week, rubbers became easier and where, later, business was possible, it was at reduced levels. The Local Loan Market was steady and there was a small improvement in the value of the War Loans.

GREEN ISLAND CEMENT CO., LTD.

At the 58th annual general meeting of the Green Island Cement Co., Ltd., held last week, it was announced that a net profit of HK \$2,219,119 had been made during the year ended December 31st, 1950. To this is added the credit balance of the Profit & Loss Appropriation Account at December 31, 1949, of \$317,603.66, giving a balance of Appropriation of \$2,536,723.57, which it was recommended should be dealt with as follows: Pay a dividend of \$2 per share, free of tax, on 600,000 shares, \$1,200,000; transfer to General Reserve \$500,000; transfer to Renewals & Replacements Reserve \$300,000; grant to Chinese Superannuation Fund \$119,968; bonus to Staff \$30,103.88; carry forward to Account for the year 1951, \$336,646.69.

Sales of cement for the year showed a further increase of over 10% by tonnage. The total value however had not increased in the same proportion, and the average selling price per ton of cement sold fell by a further 7% during the year. It was pointed out that the Company's raw materials reserve was created before the war to mitigate the impact upon working profits of a period of declining prices which was then envisaged, but as the company was able to surmount the postwar years without drawing on this

THE RUBBER TRUST, LTD.

The working profit for the year ended September 30, 1950, of the Rubber Trust Ltd., as shown in the balance sheet amounted to HK\$549,343 while the net profit amounted to HK\$291,270. After adding the balance brought forward from last year's account a sum of HK\$302,474 was shown, but deducting expenditure of previous years a total of HK\$593,862 was made available to be carried forward to the current year's account.

In his remarks at the annual general meeting of the Company recently held, the chairman said that the U.S. dollar price of rubber in October 1949 after devaluation fell to just over US 16 cents per lb. During 1949 and early 1950 there was no doubt the general opinion was that there was a buyers' market in rubber, and this was definitely the opinion in America which is the biggest consumer. The American buyers were generally expecting a setback in American industry, and this, together with the expectation of devaluation and also a rise in Indonesian production caused the buyers to hold off for lower prices. They filled their current requirements from stock and also thought they would be able to draw from the American stockpile if necessary.

It was obvious at that time that unless prices were improved the rubber plantation industry was faced with ruin, with the resultant increase of unrest and communism due to unemployment in Malaya and Indonesia.

reserve it was agreed that this should be transferred to general reserve.

The directors proposed to purchase during the year another steel lighter to replace one of those lost during the war, as well as machinery necessary to bring the raw and cement mills houses up to the pre-war strength of three mills each. Before the war the Company owned three towing launches and 14 lighters but during the occupation all the launches were lost, and after liberation only seven of the lighters were recovered. It had therefore been considered advisable to purchase a diesel launch and two steel lighters which had effected a substantial reduction in the cost of handling materials.

The chairman pointed out that the current year presents a number of new problems. Costs are increasing and as all materials come from outside the Colony if any one source of supply were to be closed great difficulty might be met with in making up the deficiency from other areas. Rearmament is already making it difficult to secure steel, non-ferrous metals and other engineering supplies from the United Kingdom. On the other hand the current year's trading has so far been satisfactory, and the company has a good volume of orders for execution during the coming months.

The United States Government decided to help and modified its regulations relating to the consumption of synthetic rubber to allow greater consumption of natural rubber, which was then selling at about US 1 cent less than the US Government fixed price for synthetic of US 18½ cents per lb.

In March 1950, however, the price of rubber started to rise until at the end of June 1950 it was double the price in October 1949. The chief reason for this rise was that everybody was mistaken about an American recession and, in fact, far from there being a recession there was increased activity in all branches of industry led by the automobile industry. This, of course, meant increased demand for rubber and the consumption in both U.S.A. and U.K. increased by about 50 percent between the Autumn of 1949 and the Spring of 1950. This general tendency was further emphasised by certain short-term factors such as the holding back of Indonesian rubber exports as a hedge against a devaluation of that currency, which finally took place at the end of March; very unfavourable weather in Malaya, which reduced outputs as much as 20% to 25% in some of the early months of 1950 and finally speculation by rubber dealers, chiefly Chinese in Singapore. Stocks, especially in the U.S.A., due to the buying policy mentioned above, were very low; in the U.S.A. barely two months consumption were in hand if the Government stockpile was excluded.

The general feeling among producers and dealers was that the rise had been overdone and was unreasonable and that a downward adjustment was inevitable and was in the interests of all parties. This is borne out by the statements of the Rubber Study Group in May 1950, showing that the statistical position of the industry was such as to prompt a certain amount of caution. They forecast an expected increase in production of 121,000 tons for 1950 to 1,605,000 tons, and that consumption of natural rubber would be 140,000 tons less than this figure, excluding possible American stockpiling. It was during this period of rising prices that your Directors made the first forward sales in respect of 1951, as they were still not satisfied with the liquid position of the Company, and were also anxious to make certain that finance would be available for completing the existing replantings to maturity.

In the first weeks in June there was a heavy fall in the price of rubber but after the speculative positions had been shaken out the price settled down at the lower levels and it was not expected that there would be much movement up or down.

The next factor was completely unforeseen and was the aggression by the North Koreans. This of course im-

mediately increased prices, and your Directors then made further forward sales.

There is no need to refer to the course of the Korean war and the present international situation, except to say that the effect on the price of rubber has been to increase this to over US 72 cents per lb. or over Malayan \$2 per lb.

These very high prices and wide fluctuations are most harmful to the future of the plantation industry. The experience of your Company in respect of forward sales is shared by nearly all Companies except those with very large reserves who could afford to wait and see and, therefore, a large part of the benefit of the high prices has gone to the dealers and middlemen. High prices have a very unsettling effect on labour, and wages have had to be increased very considerably. In addition the high prices encouraged small holders to tap and, in order to get as much rubber as possible, they offered to go 50/50 with their labourers, which attracted workers from the estates, thus causing loss of output. A heavy fall in the price will, of course, reverse the process insofar as supplies of labour are concerned, but it is very doubtful if wages will be reduced much, if at all. The net result is that costs of production have increased very considerably and all estimates have been completely upset.

The industry has been blamed in certain circles, especially in America, most unfairly, for the high price of rubber. The truth is that the producers felt in the Spring of 1950 that the rise had gone far enough, if not too far. Some producers were of the opinion that 2 shillings a pound, or say US 30 cents, was a fair level and also a healthy price for the industry, with wages and export and other taxes at the levels at that date.

When deciding on a fair price the real factor to bear in mind, however, is the relation of the price of rubber to the price of rice and other primary commodities which govern the wages which have to be paid. In the rubber plantation industry between 70% and 80% of the cost of production is labour and, therefore, the cost of labour is the paramount factor. The price of rubber in 1949 was approximately the pre-war price; the price today is about six times the pre-war price, whereas the price of rice and textiles, to mention only two primary commodities, are anything up to twenty times more expensive than before the war. It is, therefore, possible to argue that today's price is less than fair. There are other important factors, however, governing the price, the main one of course being the effect of supply and demand. Another governing factor is the U.S. Government fixed price for synthetic, which is now US 24½ cents per lb. This price is, however, regarded as an "artificial" price by natural rubber producers, and the actual cost

of production over all the plants now in operation in the United States is probably considerably higher and, therefore, it is felt that synthetic competition at the moment is "unfair", but it is none the less effective.

The fact remains that the industry urgently needs and would welcome a stabilised and fair and remunerative price, as this would make possible long range planning, which is essential in

an industry which needs seven years before a replacement of its capital assets, namely its trees, can be brought into bearing and make a return on the outlay. To name a figure as a fair price at the moment is impossible, owing to the uncertainties in the industry caused by the international situation and the resulting extraordinary price of rubber and lack of security and stability and the rising costs of production.

Taxation:— Since 1947 the industry has been paying an *ad valorem* export tax of 5% based on the selling price of No. 1 ribbed smoked sheet. Soon after the phenomenal rise in the price of rubber the Government decided to milk the industry under the guise of controlling inflation and of providing Social Welfare, and in November 1950 a new basis for calculating export tax was published by the Government of the Federation as a regulation. The extraordinary severity of the tax, the fact that the rubber industry was the industry selected, while the tin industry with a similar spectacular increase in selling price was left alone, and finally the method of imposition and collection which was quite impossible and would have led to chaos, naturally produced the most violent protests, with the result that the Government had to reconsider matters and now although the tax is still severe and rises very steeply with any increase in the price of rubber, the method of calculation and imposition is on a basis which at least can be operated without confusing the whole rubber plantation industry and the commerce of Malaya. The whole affair was handled in a manner so different from the normal efficiency and good sense of the old Malayan Civil Service that one can only assume that there was ignorant and probably ideological interference or direction from Whitehall. The net result of this tax is that the Federation of Malaya has now balanced its budget and is providing Social Welfare in Malaya mostly at the expense of the rubber industry, which already houses its own labour, provides free medical attention, maternity benefits, etc., and has done so for years at very considerable expense under the provisions of the Labour Ordinances. There is one innovation in the new export tax regulations and that is that a part of the levy is termed a replanting cess, with the idea that it will be returnable either in whole or part if an estate replants. Rules or regulations have not yet been issued regarding this cess and so no more comment is possible at the moment. If, however, the cess is returnable for upkeep of areas already replanted and for future replantings, the sum payable to the Company if rubber stays at its present price for any considerable time will be very large and will avoid having to transfer the large amounts to reserve which have been necessary during the last few years in order to conserve the assets of the Company. A valuable concession was also made when the export tax regulations were imposed. Forward sales made during 1950 in respect of 1951 will only be taxed at the new rate of tax applicable to the market price of No. 1 ribbed smoked sheet at the date the sales were made. This means that all deliveries in respect of the forward sales will only bear export tax at the average rate of about 7 or 8 cents per lb. instead of at

the rate of 20 or 30 cents payable now owing to the present very high price of rubber. The whole taxation situation as it affects the rubber industry is further aggravated by the fact that in addition to all of the above impositions the tax on corporation profits has been raised from 20% to 30%. However, we hope that the industry will now be allowed to enjoy at least some years of prosperity and that the authorities will soon be able to control the security situation.

RUBBER ESTATES OUTPUTS

Outputs from the Rubber Companies for which A. R. Burkhill & Sons, Ltd., are Secretaries &/or General Managers:

| | Output for Feb. 1951 | this Financial Year to date lbs. |
|-------------------|-------------------------|--|
| Bute | 65,000 | 133,000 (2 mths.) |
| Consolidated | 96,000 | 199,800 (2 ") |
| Dominion | 24,200 | 86,000 (2 ") |
| Kota Bahru | 67,000 | 585,000 (8 ") |
| Sungei Duri | 61,000 | 581,500 (8 ") |
| Shanghai, Pahang | 25,800 | 334,400 (8 ") |
| Padang | 16,372 | 233,281 (10 ") |
| Shanghai Kedah .. | 79,556 | 521,257 (5 ") |
| Tanah Merah .. | 91,140 | 1,010,700 (11 ") |

H.K. & SHANGHAI HOTELS, LTD.

The Hongkong & Shanghai Hotels, Ltd., showed a balance of working account on the profit and loss account of \$2,040,379 which, the Chairman pointed out at the ordinary yearly meeting of shareholders, was three-quarters of a million dollars less than the previous year's amount. Appropriations approved were: transfer to special depreciation reserve \$500,000; reserve for extraordinary repairs and renewals \$500,000; and a dividend of 75 cents per share and a bonus of 25 cents per share, both free of tax, \$1,193,867. The balance of \$593,552 was carried forward.

The fixed assets of the Company including land, buildings, plant, etc., stand at \$12,767,550. The authorised capital amounts to 1,500,000 shares of \$7.50 each making a total of \$11,250,000. Shares issued and fully paid up total \$8,954,002.

The Chairman, in his speech, drew attention to the reduction in profits due to a decline in restaurant revenue. "Rents received" totalling \$341,566 also showed a decline of approximately \$106,000 on the previous year's figure and in the main reflect the adverse circumstances encountered in the operation of the Astor House, Shanghai, by the lessees, who were unable to meet the rental due under the terms of the lease. Rent on bedrooms was, however, maintained at the 1949 level. The second part of the profit and loss account brings a credit of \$1,066,409

HONGKONG FREE EXCHANGE & GOLD MARKET

Report for the week March 12-17:-

GOLD:—Highest & lowest rates per .945 fine tael \$312 1/2—300 1/4, equiv. to .99 fine tael and oz rates of \$327.38—314.54 and \$272.06—261.89 resp. Crossrates US\$44 1/2 high, 43 1/4 low. Week's opening rate \$312 1/2, closing 306 1/4. Daily rates, high & low, per .945 fine tael, in HK\$—312 1/2—307 1/4; 307 1/4—303 3/4; 309 1/2—302 3/4; 305 1/2—302 3/4—300 1/4; 306 1/2—303 3/4.

Market trend was again lower with occasional rallies. Prospects of peaceful settlement of the Korean war and heavier arrivals of bullion in Macao eased off rates; at the same time exports appeared less profitable and riskier with Hongkong revenue officers going on rampage to rampage. Higher changeover interest, cause by tighter money position, and liquidations by overbought speculators further depressed the rate. Occasional export demand firmed up prices for a short period. Weakness is anticipated in the near future but a drop below US\$40 is unlikely.

Changeover interest per tael totaled 60 cts., in favor of sellers, equiv. to 11 1/4% p.a., for hedgers. Trading totaled 237,000 taels (daily average 39,500). Positions taken in the fictitious forward market averaged daily 109,000 taels (interest hedgers, importers and Canton operators oversold; Swatow and Shanghai operators and local speculators overbought; Pao Sang native bank, one of the financial agents of the Peking authorities, unloaded heavily both futures and cash bars, and this bank's losses arising from injudicious buying were considered large).

Cash sales: 61,120 taels of which 33,620 officially listed, 28,500 privately arranged. This very heavy turnover, compared with figures of recent weeks, was due to forced deliveries of Pao Sang Bank and of operators here and in Macao. Marginal holders took of above amount 40,000 taels, exporters 21,500, local goldsmiths several hundred taels. Exports were consigned to India (via various routes) 6000 taels, Bangkok 9500, Singapore 6000. Of the consignments to Singapore and Bangkok some 5900 taels were seized, upon a successful raid by local revenue officers. Differentials paid for .99 fine bars \$14.70—14.90 per tael.

from trading,—a falling off of over a million dollars compared to 1949. An item of \$956,287 credited therein covers the capital profit realised by the liquidation of the Grand Hotel Des Wagons-Lits, in Peking which, while largely offsetting the decline, will no longer appear as an asset in the Balance Sheet. This sale was effected early last year.

The Chairman emphasised the need for increasing the rates chargeable to "Hongkong residents" as well as for an increase in the percentage of accommodation which can be rented to transient guests. At one time the restaurant business was of an abnormal nature and while this was the case the Company was content to refrain from pressing for any room rate adjustment; but the time had now come for the resident to meet room charges in line with current economy. Government had accordingly been asked to discuss this and the Company's recommendations in this connection.

FINANCIAL REPORTS

Imports: 30,000 taels of which 28,000 from Macao, the rest from Manila and Taiwan. Local revenue officers discovered only a few hundred taels some of which were, as happens very frequently, concealed inside the bodies of men and of women (extracted after X-ray examination in a local hospital). Gold discharged in Macao amounted to over 70,000 ozs fine while new contracts were closed for 30,000 ozs at US\$43 1/4—43 3/4 cts Macao.

SILVER:—Bar silver quoted \$8.07—6.09, dollar coins \$8.90, small coins (5 pes of 20 cts. each) \$2.97—2.99. The market is monotonous, prices steady, inquiries more from silversmiths than exporters. Total sales: 82,000 taels (.99 fine).

Local ornamental consumption is over 10,000 taels per average month. The supply is difficult as China has imposed an export embargo on treasure. Some smugglers always get their goods through. Remelting of old silver jewelry also helps the trade. London and New York seem to anticipate higher prices in line with the metal trend generally.

US\$:—Highest & lowest rates for US notes HK\$607—599 1/2, DD 608 1/2—600 1/2, TT 611 1/2—604 equiv. to crosses of US\$2.616—2.649. Daily highest and lowest TT rates: 611 1/2—610, 609—608; 610 1/4—608; 609 1/2—605; 606 1/2—604; 608 1/2—605.

Sales: TT sector US\$540,000, DD and notes 495,000. Market was quiet and featureless, fluctuations following gold prices. TT was taken up by gold importers whose support is essential, under present US embargo situation, to maintain free US\$ rate at current level. Inward remittances of overseas Chinese, as far as in US\$, are now on the increase and thus a lower rate is to be expected.

BANKNOTES:—Malayan \$ was firm at \$1.80 3/4—1.81 as tight money was experienced in Singapore while commodity prices in that inflation exposed area came down. Piastre rates were firm at \$13.90—15 (per 100) as political situation in Indochina improved with expectation of further consolidation of Vietnam authorities in the face of weakening communist Vietminh opposition. Some business was recorded in Canadian dollars (largely originating from Chinese in that Dominion) but prices were, following the lower US\$ rate, depressed at \$5.68—5.73. Pesos sold in larger lots at \$1.64—1.65. There was more interest shown in yen notes the rate of which was \$180—132 per 10,000. Macao pataca, Indonesian guilder and Siamese baht were unchanged at resp. \$1.07, 34, and 27 1/2. Trade in Bank of England and Australian pounds was nominal at rates of \$15.55—15.70 and \$12.90—13.10. Indian rupees had buyers at \$1.17 1/2—1.18 1/2 but the trend is now downwards and a level of 1.10 will probably again be reached.

CHINESE EXCHANGE: No change in the financial situation in China. Local rates for PB notes (which officially are termed yuan in Peking and are usually written with a capital Y and crossed like the Japanese yen symbol) were \$209—219 per one million (a discount of over 20% against official Bank of China rate). Market opinion was adverse as regards future rate of PB\$; the reverses suffered by the communists in Korea will have their effect also on financial markets. Sales of notes totaled 185 million. Remittances with Canton quoted \$214—218, with 170 million business done. Remittances in HK\$ quoted 94—95 1/2 per 100 in Canton (sales HK\$ 165,000). Gold and US\$ remittances with Shanghai: 101 and 92 resp. Gold remittances with Taiwan were at rising rates, 88 1/2—91 1/2 per 100 in Taiwan, and business improved. Taiwan govt was reported as selling gold in the island to support official exchange rates. US\$ remittances with Taiwan quoted nominally at 95.

HONGKONG CLEARINGS

Hongkong Parker's clearing house total for January and February this year \$1,880,876,913 and \$1,400,264,521 respectively. For the last 3 months of 1950 clearing totals (in billions of HK\$) for Oct., Nov. and Dec. respectively \$1.59, \$1.54, and \$1.55.

HONGKONG BANKNOTES

January 1951: total \$807,870,296 of which Hongkong & Shanghai Banking Corp. \$755,876,770, Chartered Bank 47,455,536 and Mercantile Bank 4,537,990.

HONGKONG NEW BUILDINGS

In January 1951 cost of new buildings amounted to \$16,688,509, of which \$15,831,970 for buildings and \$856,539 for site work. Victoria accounted for \$4,508,378 building, \$308,759 site work; Hongkong island outside Victoria \$4,711,377 building, 383,138 site work; Kowloon and New Kowloon 6,612,220 building, 164,642 site work. Number of new buildings erected in January: 178 of which 134 houses and flats. New factories and godowns 28; new offices and shops 8; other buildings (incl. mixed accommodation) 18.

Prosperity of Hongkong is uninterrupted as evidenced by building progress. New amusement places, hotels, cinemas, flats, are rising in every quarter of the city. The resident is surprised to find, wherever directing his steps, ever new additions to the city's skyline. At the same time shops and public places are continually renovating exteriors and refurnishing or entirely fitting out interiors. The city is indeed presenting a picture of robust economic health.

H.K. ECONOMIC REPORTS

HONGKONG TRADE WITH COUNTRIES IN EAST ASIA

(In thousands of HK\$)

January

| | Imports | | Exports | | Total 31st January 1951 | |
|-------------------------------------|---------|--------|---------|--------|-------------------------------|--|
| | \$ | % | \$ | % | | |
| | | | | | | |
| Burma | 1,251 | .28 | 644 | .12 | | |
| Ceylon | 368 | .08 | 817 | .15 | | |
| Fr. Indochina .. | 2,274 | .50 | 1,561 | .29 | | |
| India & Pakistan .. | 35,328 | 7.81 | 13,429 | 2.47 | | |
| Malaya | 63,889 | 14.12 | 111,215 | 20.46 | | |
| Philippines | 509 | .11 | 8,099 | .14 | | |
| Thailand | 7,204 | 1.59 | 11,867 | 2.18 | | |
| Indonesia | 10,132 | 2.24 | 25,189 | 4.63 | | |
| Total S.E. Asia | 120,954 | 26.78 | 172,324 | 31.78 | | |
| North China (incl. Manchuria) | 29,063 | 6.42 | 61,373 | 11.29 | | |
| Middle China | 14,500 | 3.20 | 21,544 | 3.96 | | |
| South China | 33,934 | 7.50 | 166,150 | 30.55 | | |
| South Korea | 211 | .05 | — | — | | |
| Total N.E. Asia | 77,709 | 17.17 | 249,068 | 45.80 | | |
| Total Trade of Hongkong | 452,589 | 100.00 | 548,791 | 100.00 | | |

PRODUCTION OF ELECTRICITY

| | January | | January |
|-----------------------------|------------|--|---------|
| | Kw. Hrs. | | |
| Lighting | 8,495,873 | | |
| Power | 10,702,425 | | |
| Traction | 1,061,597 | | |
| Bulk Supply Consumers | 8,627,785 | | |
| Public Lighting | 149,445 | | |
| Total | 29,036,625 | | |

GAS MANUFACTURE & DISTRIBUTION

| | January | | January |
|-----------------------|------------|--|---------|
| | Cubic feet | | |
| Domestic | 43,209,100 | | |
| Industrial | 2,484,007 | | |
| Public Lighting | 48,688,100 | | |
| Total | 94,381,200 | | |

HONGKONG COMMODITY MARKETS

It would be putting it mildly to say that the local commodity markets during the past week were dull; except on a small scale, trading in practically all items beyond a few industrial chemicals, cotton piece goods and Indian 32's cotton yarn was almost nonexistent. The last item was in demand following a realisation that the bulk of the yarn shipped to Pakistan from India under the new trade agreement would be composed mainly of 10's and 20's, thus leaving Pakistani dealers free to purchase 32's and 40's in Hongkong. The height, however, to which prices rose as a result of the buying by Pakistani interests somewhat stultified trade at the close, making it inevitable that stabilisation would need to be effected if large-scale transactions are to take place.

The introduction by the Hongkong government of a ruling prohibiting the export, except under licence, of metals and their finished products, rubber tyres and other supplies required by local industries as well as photographic films and certain materials difficult to procure locally, pleased manufacturers though exporters to China and a large army of speculators were adversely affected, especially as this action underscored the growing anxiety that eventually under pressure of rearmament the export of metals and other commo-

dities to Hongkong from the United Kingdom, France and Belgium might be further curtailed.

Slackened demand from China also had an effect on the local markets. Apparently this is due to tightened money conditions brought about through the need for payment to the Chinese communist authorities before the end of March of a 30% tax on profits. In many instances Chinese traders have been obliged to dispose of their goods at cut rates in order to raise the amount required, thus bringing about a lowering of prices which was reflected in the Hongkong market.

A cheering feature in the week's gloom was the lifting by the Hongkong government of controls upon imports of Japan-manufactured goods.

Cotton Yarn

After some transactions in Indian cotton yarn, the arrival during the week of a supply of Indian yarns caused buyers to hold back. Sidhpura Mills 20's sold at the higher price of \$2020 per bale and No. 610 20's rose to \$2062; Gokak Mills 20's, however, fell to \$2135 per bale, Krishnar Kumar Mills 20's to \$1970, and Mysore Spinning Mills 20's to \$2080 per bale. In 26's No. 610 rose to \$2055 and Sree Meenakshi Mills to \$2070 per bale; while Hindustan & Co. dropped to \$2065, Loyal Textile Mills to \$2070, Sidhpura Mills to \$2030 and Kotak & Co. to \$2050 per bale. In 32's Lakshmi Mills rose to \$2255 and Sree Meenakshi Mills to \$2285 per bale. Locally-made yarns were marked down in price as a result of heavy stocks held in Hongkong; 20's fell to \$2450 and \$2400 per bale; 32's stood at \$2900 per bale, and Flying Fish sold at \$2850 per bale.

Cotton Piece Goods

Demands from China and from abroad for grey sheeting, as well as from local interests, caused activity in the market: Double Flying Dragon rose to \$33 per bolt and Indian 42" x 40 yds. sold at \$72; sales of Japanese 2023 grey sheeting were made at \$76 per bolt. Dealers from Pakistan and the Philippines were requiring drills, but as stocks are low no large-scale transactions could take place: Polar Mill rose to \$77 per bolt and sales of Bat & Urn were effected at \$80 per bolt.

Metals

Information of the arrival of fresh supplies of metals in March/April, together with the determination of buyers from China not to pay higher prices, caused a decline in most branches of the metals market. Some activity was shown in mild steel plates; 4" x 8' 1/16" sold at \$180 per picul (133.3 lbs.) and 3/32" fetched \$155, 5/8" rose to \$107 per picul and 3/16" and 1/4" rose to \$102 per picul. Mild steel round bars declined: 40's 5/8" to 1" falling to \$86 per picul, while 20' 1 1/2" to 3" dropped to \$82 and \$83 per picul. Zinc sheets fell from the nominal position of \$670 to \$600 per picul, G6 being offered at \$560 per picul.

VEHICULAR TRAFFIC

| Vehicles: | Total 31st January 1951 |
|-----------------------------------|-------------------------------|
| Trams | 118 |
| Motor Cycles | 1,017 |
| Private Cars | 8,806 |
| Taxis | 844 |
| Public Hire Cars | 288 |
| Motor Buses | 397 |
| Lorries & Vans | 8,186 |
| Rickshaws (Private) | 85 |
| " (Public) | 858 |
| Tricycle (Goods) | 801 |
| Chairs | 27 |
| Hand Trucks | 8 |
| Trailers | 10 |
| Drivers: | |
| Motor Drivers' Licences | 29,422 |
| Learners' Licences | 91,511 |
| Driving Tests | 45,608 |
| Rickshaw & Tricycle Drivers | 8,205 |
| Hand Truck Drivers | 14 |

VITAL STATISTICS

| (a) Births Registered: | January |
|------------------------|---------|
| Chinese | 5,821 |
| Non-Chinese | 50 |
| Total | 5,871 |
| (b) Deaths Registered: | |
| Chinese | 1,595 |
| Non-Chinese | 19 |
| Total | 1,614 |

Cement Production in January: 5066 metric tons.

Coal Stocks in January: 29,888 tons of which 22,772 t. bit. lump.

Animals slaughtered in January: 56,091 of which 53,889 swine.

Marketing of fish and vegetables in January: 2985 1/2 tons and 4842 tons respectively.

Industrial Chemicals

Industrial chemicals with one or two exceptions showed little change during the week. Borax gran, however, was an exception as with dealers from North China active the price showed an improvement, the US product in 100-lb. bags selling at \$62 per bag and later rising to \$62.50. US caustic soda in 700-lb. drums also showed an increase, selling at \$450 per drum. Declines were shown in chlorate of potash (Swiss) which was offered at \$1.65 per lb., French bicarbonate of soda which fell to \$78 per 100-kilo bag, Japanese calcium hypochloride which dropped to \$1.85 per lb. for 60% and \$1.98/\$2.02 per lb. for 70%, and Crown brand quebracho extract which fell to \$1.45 per lb. with counteroffers at \$1.43.

Paper

The decline in prices of paper continued noticeably during the week, notwithstanding additional price increases announced by manufacturers abroad, the continuous arrival of supplies previously ordered from abroad being to a large extent responsible. At the close, European newsprint in reel 52 gr. had fallen to \$1.03 per lb., while the Japanese variety fell to 91 cents per lb. Newsprint in sheets 50 lbs. 31 x 43" fetched \$49 per ream, with Japanese 48 lbs. offered at \$42 per ream. Cellophane paper (French) 36" x 39" was transacted at \$140 per ream, and the Japanese make found few sellers at the same price; the British variety was quoted at \$155 per ream. M.G. Kraft 47-lb. 35 x 47" fell to \$71 per ream, and M.G. white cap 17½-lbs. 25 x 44" sold at \$18 per ream. Bond paper 22 x 34" 32-lbs. white watermarked was quoted at \$51 per ream, while the unwatermarked variety sold at \$49 per ream. Japanese duplex board 240-lbs. 1st grade was offered at \$225 per ream. Yellow strawboard, was the only exception to the prevailing decline, acting upon interest shown in it by dealers from China the

price of No. 8, 25"/33" (Dutch) rose to \$900 per ton while Japanese No. 8 sold at \$840 per ton.

Rubber

Cantonese dealers, looking for imports to barter against exports, took advantage of the low price of mixed rubber cuttings to make purchases at \$400 per picul (133.3 lbs.), the price later rising to \$420. Otherwise, the market was dull and offers were marked down further: Smoked rubber sheet No. 1 was offered at \$560 per picul, No. 2 at \$540 and No. 3 at \$520. Enquiries by North China, Korean and Taiwan merchants brought hopes of a revival of activity, and prices which had fallen further at the commencement showed a tentative increase, smoked rubber sheet No. 1 being quoted at \$560 per picul, No. 2 at \$540 and No. 3 at \$520 per picul.

Rubber Tyres

An offer of 1000 sets of British rubber tyres 34 x 7 for shipment in April was made at \$1080 per set, but the makers being unknown in Far Eastern trade the offer was not accepted on this conservative market. The large margin required for deposit against letters of credit also militated against acceptance. The Hongkong government prohibition upon the export except under licence of rubber tyres and tubes, new and used, brought down prices on the market at the close, sellers previously having hastened to dispose of their goods while buyers held back. British and American tyres 32 x 6 were offered at \$900 to \$920 per set; sales of Goodyear 34 x 7 were made at \$1500 per set, while Michelin 34 x 7 was quoted at \$1550 and Dunlop 34 x 7 sold at \$1480 per set. Japanese 32 x 6 were marked down to \$700 and \$720 per set.

China Produce

The enforcement by American banks of the new ruling introduced by the US Treasury that proof must be provided

by exporters that China produce exported to the US left Chinese territory before Dec. 17 last, and also of the requirement that a special licence must be applied for and have been issued before a letter of credit can be opened, has placed a deterrent in the way of exporters of such commodities. It is hoped, however, that bristles and wood-oil, being required for rearmament purposes, may be exempt from the rulings. To offset difficulties in the way of trade with the US, demand from Europe has grown of late, which has served to keep the market fairly stable, although a further drop in most commodities took place during the week, caused by continual arrivals from Canton. The nominal price for woodoil (tungoilo) in drums reached £280 per long ton, £20 higher than in bulk, the difference in the previous week being only £15 higher. This increase was caused by a shortage of drums, a requirement of the Cantonese trade authorities being that all drums be returned after export shipments have been made. European dealers offered £265 for goods in bulk as compared with the local exporters' price of £270 per long ton.

US restrictions upon trade in China produce and lack of interest shown by buyers from Pakistan and India, caused a heavy fall in the price of cassia lignea which was aided by the arrival of over 2000 bales of spot goods from China and large offers for forward delivery. Cassia Lignea (West River) in 30-lb. bales fell to \$118 per picul for forward delivery and \$120 for spot f.o.b.; Honan unscrapped cassia was offered at \$100 per picul forward, while spot goods fell from \$160 to \$107 per picul. Constant arrivals of aniseed star brought down the price of Honan 2nd qual. to \$170 per picul, while Nanning 1st qual. sold at \$185 per picul.

HONGKONG PROHIBITED EXPORTS

Under an Order issued on March 16th by the Director of Commerce & Industry, the Schedule to the Prohibited Exports Order, 1946, has been further amended by the inclusion of the following items:

Hoop Steel (Box Strapping), Terne Plate, Tin Cans, finished or unfinished, Aluminium & alloys thereof, all forms, including scrap & manufactured products, Brass, all forms, including scrap & manufactured products, Copper, all forms, Molybdenum Wire, Nickel; anodes, cathodes, electrodes & welding rods, Tungsten Wire, Zinc, all forms including scrap, and manufactures thereof, Hydroquinone, Styrene, Polystyrene, Dichlorostyrene and its moulding powders, rods and tubes, Sulphur, Sulphuric Acid, Electric Welding rods and wire, Photographic films, Plates, and papers, all kinds, including X-ray Films and Plates, unexposed, Rubber tyres and tubes, new and used, Coal and Coke.

HONGKONG TRADE ENQUIRIES

For Exports from Hongkong:-

E. M. Shepherd Trading Co., 35, Pamerston Road, Birmingham, 11.—Towels and towelling. Craig-Stanton & Co., Inc. 482, Fourth Avenue, New York, 16.—Toys.

Berry, Pearce & Co., Ltd., 82, Princess Street, Manchester, 1.—Flashlight Bulbs.

Group Marketing (Overseas) Ltd., 75, Victoria Street, Westminster, London, S.W.1.—Flashlight Bulbs.

Baker, Duthie & Co. Ltd., 181, West Regent Street, Glasgow, C.2.—Enamelware.

D. & M. Prashker Ltd., 73, Berwick Street, London, W.1.—Knitted goods and Underwear.

Lever Bros., Buying Dept., Port Sunlight, Cheshire.—1,000 yds. White Honeycombe Towelling.

Lenpol Limited, 74, Newman Street, London, W.1.—Wrist Watch Bands—Metal.

H. A. Tonks Ltd., 8, Lovat Lane, Eastcheap, London, E.C.3.—Oil Seeds, Gums and printed cloth.

Raymond Jacobs Ltd., East Topping Street, North Shore, Blackpool, Lancashire.—Chrome Wrist Watch Bracelets, Jewellery and Fancy Goods.

Newton, Lansdowne & Co. Ltd., 2, Torrington Street, London, W.C.2.—Fire-crackers.

Plastic & Metal Products Ltd., 162, Gray's Inn Road, London, W.C.1.—Electric Torches & Electric House Lamps, Motor Car and Flashlamp Bulbs, Cameras and photographic materials.

Spiliotis Ch. Manias & Const. D. Poulikas, P.O.B. 586, Athens, Greece.—Cotton fabrics—shirtings, sheetings, poplins, rayon etc.

Albert Baruche, 11, Rue des Petites-Ecuries, Paris (X.)—20,000 2 cell Flashlights wanted immediately.

For Imports into Hongkong:-

Nicols (Chemists) Ltd., 169, High Street, Kensington, London, W.8.—United Kingdom Pharmaceuticals and chemical products.

Norton & Richard Laboratories Ltd., 81, King's Road, London, S.W.3.—Scotch Whiskey.

Udalamendi Industries Ltd., "Eagle House," 90/96, Cannon Street, London, E.C.4.—Hardware—kitchen utensils, picks, shovels, spades etc.

E. W. Winton, 52, Dartmouth Street, London, N.W.2.—Dental and Medical supplies.

Joost Brothers, Langnau, Emmental, Switzerland—Swiss Gruyere Processed Cheese.

General Trade Enquiries:-

Te Hwa Trading Co., 8, Hupei Road, Tientsin (10)—Wish to import all kinds of essential materials.

E. J. Hyams & Son Ltd., P.O. Box 45, Wellington, New Zealand.—Hongkong products generally.

Bawa Glass Co., 21-22, Radha Bazar St., Calcutta.—Wish to export domestic earthenwares, glasswares and enamels to Hongkong.

Daniel A. Akintokun & Bros., 9, Araromi Street, Oke Padre, Ibadan, Nigeria.—Hongkong products generally.